



禾伸堂企業股份有限公司
Holy Stone Enterprise Co., Ltd.

TWSE : 3026

2021 Annual Report (Translation)

This document is prepared in accordance with the Chinese version and is for reference only, if there is any inconsistency or ambiguity between the two versions, the Chinese version shall prevail.

Printing Date : 2022.04.28

TWSE MOPS: <https://mops.twse.com.tw>

The Company's Website: <https://www.holystone.com.tw>

1. Company Spokesman, Acting Spokesman, title and contact information Company Spokesperson

Name Steven Huang
Title Director
Tel (02)2627-0383
E-mail stevenhuang@holystone.com.tw

Deputy Spokesperson

Name Contrina Chang
Title Director of Finance & Accounting Department
Tel (02)2627-0383
E-mail contrina@holystone.com.tw

2. Headquarters, Branch Offices and Plants

Headquarters	1F, No.62, Sec. 2, Huanshan Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	Tel: 886-2-2627-0383
Yilan Office	No.15, Sec. 2, Ligong 1st Rd., Lize Industrial Park, Wujie Township, Yilan County 268, Taiwan (R.O.C.)	Tel: 886-3-990-6900
Plants	No. 56, 61, 61-1, Lane 90, Gong 5th Rd., Longtan Dist., Taoyuan City 32559, Taiwan (R.O.C.) No.15, Sec. 2, Ligong 1st Rd., Lize Industrial Park, Wujie Township, Yilan County 268, Taiwan (R.O.C.)	Tel: 886-3-499-5288

3. Institution Handling Stock Transfer Services

Company China Trust Commercial Bank, Transfer Agency Department
Address 5F, No.83, Sec. 1, Chongqing S. Rd., Taipei City 100, Taiwan
(R.O.C.)
Website <https://www.chinatrust.com.tw/>
Tel 886-2-6636-5566

4. Certified Public Accountants Auditing Financial Statements during Recent Years

Auditor Ching-Song Wang, Ming-Fang Hsu
Company KPMG
Address 68F, No.7, Sec. 5, Xinyi Rd., Taipei City 110, Taiwan (R.O.C.) (Taipei 101)
Website <https://www.kpmg.com.tw>
Tel 886-2-8101-6666

5. Foreign Securities Trade & Exchange

No foreign securities are issued by the Company

6. Company Website

<https://www.holystone.com.tw>

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I. Message to the Shareholders

2021 the pandemic remains unabated. In addition to adjusting the business model under the pandemic, the Company actively responds to the crisis such as shortage in electronic components and port congestions. Whether it is the production of passive components or the sales of agency products, the Company responds to the changes rapidly, continuously providing our customers with high quality products and services. The Company achieved operational success despite the challenges of supply chain instability, details on the operational results, business plans and strategies are provided in the following paragraphs:

1. 2021 Business Results

1.1 Business Result: consolidated revenue of 2021 totaled NT\$ (same below)16.60 billion, gross profit NT\$3.68 billion, gross margin 22.1%, net profit attributable to the parent company totaled NT\$1.95 billion, increased 48.8% YoY. Earnings per share totaled NT\$ 12.36.

1.2 Budget Implementation: the Company did not publish any forms of finance forecast; therefore no act of disclosure is required.

1.3 Financial Income and Expenditure, Profitability Analysis: please refer to the financial statements in the appendix for further information.

1.4 Research and Development Status: in line with the industrial development and market demand, continue to invest in the development of MLCC materials, improve the production capacity of high-end powder, establish self material system, and optimize the process capabilities, focusing on the development of niche products such as automotive, Netcom and industrial control electronics. Total expenditure of the above research and development for 2021 was NT\$198 million.

2. Summary of 2022 Annual Business Plan

2.1 Operating Strategy: Holy Stone believes in plain, simple, innovation and shared prosperity operational strategy, and will continue to deeply cultivate in our production while enhancing our product agency.

Deep Cultivation in Production: house-brand products explore new application fields by following the market trends; application fields such as 5G Netcom, automotive and industrial electronics will continue to be deeply cultivated by the Company.

Product Agency Enhancement: the Company mainly agents for products such as communication device, automotive and consumer electronics, we will continue to design and develop to cope with customers' demands, trying our best to maintain product supply.

2.2 Important Production and Sales Management: plant expansion project was delayed due to domestic pandemic, however the project is expected to resume in 2022. Continuous expansion of the production of niche products remains to be the most important business strategies of the Company; we will continue to work on 5G Netcom,

automotive and industrial control electronic application field, meeting various demands from our customers, providing timely and high quality products and services.

3. Influence of External Competitive Environment, Regulatory Environment and Overall Business Environment

Affected by climate change, living environment of human beings gradually changes, the aggravation of extreme climates has caused disasters to people, property and the global environment. The Company believes that, in order to become a sustainable corporate, our duty is far beyond profitability and shareholders' equity, it is now our obligation to implement the concept of ESG into the operation of the Company. Recently, driven by the policies of various countries, awareness of ESG concepts escalated. The Company discloses the implementation status of our ESG policies via our CSR report for references for our employees, shareholders and stakeholders. The Company will continue to follow relevant laws and regulations, practice corporate governance, respecting labor rights, building friendly workplace, saving energy, reduce carbon emission and moving towards a sustainable corporate.

Last but not least, the Company would like to express our appreciation to our customers, suppliers, shareholders and the society for the long term support; we also thank each and every employee for their contribution to the Company. We hope for the best in the years to come.

Chairman : Jing-Rong Tang **Manager** : Jing-Rong Tang **Chief Accounting Officer** : Shu-Ying Chang

II. Company Profile

I. Date of Establishment

June 1st, 1981

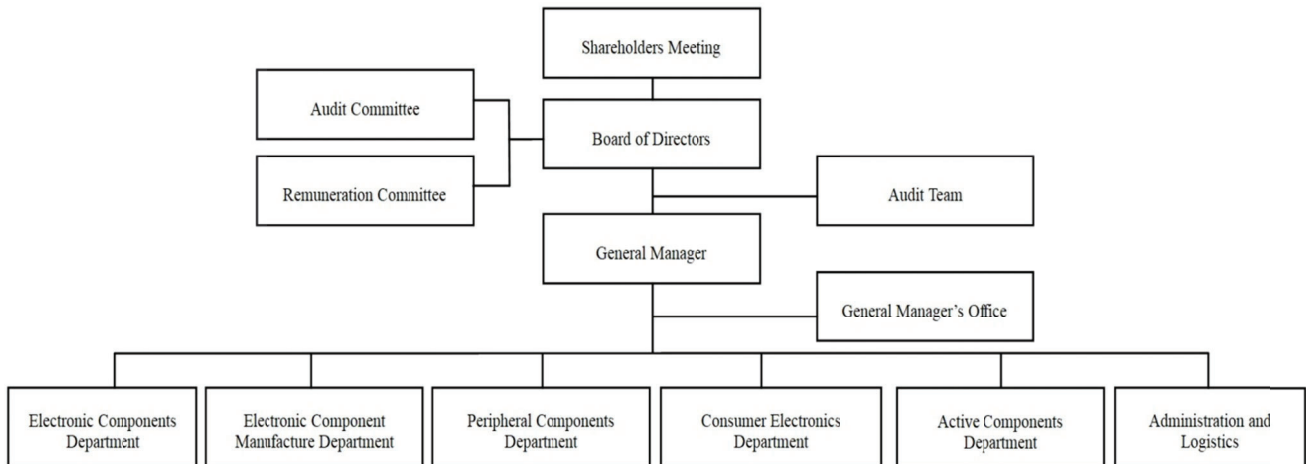
II. Milestone

Jun.	1981	Holy Stone was founded in Taipei, Taiwan, with capital of NT\$2 million.
Feb.	1984	Holy Stone pioneered pension management regulation, annual health examination, annual overseas trip, and so on for employees in the trade industry.
Aug.	1988	Holy Stone acquired dealership of many well-known electronic component manufacturers in West Germany, United States, United Kingdom, Singapore, and Japan.
Jul.	1989	Holy Stone implemented Internet system throughout the company.
Feb.	1993	Holy Stone established the Semiconductor Business Department, contributing to the research, development and sales of multimedia-related products
Mar.	1995	Holy Stone founded GSI Technology, Inc. in the United States.
Oct.	1997	Holy Stone established a material's R&D department and invested in manufacturing
Apr.	1998	Holy Stone was approved by the "Securities & Futures Institute" for public offering.
Apr.	1999	Holy Stone's MLCC plant was established in Longtan (Taiwan).
Jan.	2000	Holy Stone's stock was officially listed in the OTC market.
Aug.	2001	Holy Stone's second MLCC plant was established in Longtan (Taiwan).
Jul.	2002	Holy Stone issued the first issue of domestically unsecured convertible corporate bond, and the lump sum was NT\$1 billion.
Aug.	2002	Holy Stone changed to list in TWSE.
Apr.	2004	Holy Stone issued the second issue of domestically unsecured convertible corporate bond, and the lump sum was NT\$1 billion.
Jul.	2004	Holy Stone merged with Infotech Co., Ltd, and established the Consumer Components Department.
Dec.	2004	Annual sales revenue surpassed NT\$10 billion.
May.	2005	Holy Stone bought a new office in Wenhui, Taipei.
Aug.	2005	Holy Stone's third MLCC factory was established in Longtan (Taiwan).
Oct.	2006	Holy Stone bought a new office in Shanghai, China.
Mar.	2007	GSI Technology, Inc., the affiliate of Holy Stone, launched IPO in NASDAQ.
Nov.	2007	Holy Stone's Chinese operating department was headquartered in Shanghai.
Apr.	2008	EETI, the affiliate of Holy Stone, was officially listed in the OTC market.
Jun.	2009	Holy Stone's Lize plant was established.
Apr.	2010	Holy Stone started the production of tantalum capacitors.
Jun.	2010	Holy Stone issued the third issue of domestically unsecured convertible corporate bond, and the lump sum was NT\$700 million.
Jul.	2010	Holy Stone initiated capital increase by cash, totaled 33,000,000 shares.
Aug.	2013	Holy Stone initiated capital reduction by cash, totaled 96,065,236 shares.
Aug.	2017	Holy Stone initiated capital reduction by cash, totaled 67,264,619 shares.
Dec.	2021	Holy Stone's fifth MLCC plant was established in Longtan (Taiwan).

III. Corporate Governance

III. Organization System

1. Organizational Structure



2. Major Department Functions

1. Audit Room

- (1) Internal audit regulations establishment, revision and examination
- (2) Internal control regulation discussion, audition, and revision
- (3) Overseas subsidiary regulations evaluation, formulation and examination

2. General Managers Office

Business development, decision making, management orientation, legal and intellectual property matters and PR affairs.

3. Electronic Components Department

Market information collection and analysis, product marketing planning and execution; selling channels expansion and management to achieve operating goals

4. Electronic Component Manufacture Department

New products development, production and manufacturing

5. Peripheral Components Department

Market information collection and analysis, product marketing planning and execution; selling channels expansion and management to achieve operating goals

6. Consumer Electronic Components Department

Market information collection and analysis, product marketing planning and execution; selling channels expansion and management to achieve operating goals

7. Active Components Department

Market information collection and analysis, product marketing planning and execution; selling channels expansion and management to achieve operating goals

8. Administration & Logistics

- (1) Administrative Management Department: human resources planning, personnel management, welfare and affairs management, security protection etc.
- (2) Finance & Accounting Management Department: financing formulation, funds management and deployment, credit management, accounts settlement and accounting operations
- (3) Information Technology Department: systems development, computer, software and hardware installation and maintenance
- (4) Logistic Department: import and export declaration, storage and delivery management

II. Information on Directors, Supervisors, General Manager, Vice General Manager, Assistant Manager and Managers of Departments and Subsidiaries

1. Information of Directors and Supervisors

Unit: Shares as of 2022.03.29

Title	Nationality	Name	Gender Age (Note1)	Date Elected	Term	Date First Elected (Note2)	Shareholdings when Elected		Current Shareholdings		Spouse & Children of Minor Age Shareholdings		Shareholdings by Nominees		Working Experiences and Academic Qualifications (Note3)	Position(s) Held Concurrently in the Company and or in Any Other Companies (Note3)	Managers, Directors and Supervisors who is Spouse or within Second Degree Relative of Consanguinity to Each Other			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	ROC Taiwan	Jing-Rong Tang	M 61~70	2021 07.21	3 Years	1997 09.09	3,680,348	2.33	3,680,348	2.33	367,901	0.23	-	-	Bachelor, Electronics Engineering, Tatung University Manager, Panasonic Sales Taiwan Co., Ltd.	General Manager, Holy Stone Enterprise Co., Ltd. Legal representative Chairman and General Manager, eGalax_eMPIA Technology Inc. Chairman, Holy Stone Healthcare Co., Ltd.	-	-	-	Note4
Director	ROC Taiwan	Lin Tan Investment Co., Ltd.	-	2021 07.21	3 Years	2003 05.28	7,206,735	4.56	7,206,735	4.56	-	-	-	-	-	-	-	-	-	-
Director	ROC Taiwan	Chyang Lo (Note5)	M 71~80	2021 07.21	3 Years	2010 01.01	1,178	0.00	1,178	0.00	-	-	-	-	Master, Management Science, Tamkang University Project Leader Engineer, Chung-Shan Institute of Science and Technology	-	-	-	-	
Director	ROC Taiwan	Chung-Yi Yang (Note5)	M 61~70	2021 07.21	3 Years	1999 04.23	412,041	0.26	412,041	0.26	-	-	-	-	Bachelor, Business and Management, National Taichung University of Science and Technology	-	-	-	-	

Title	Nationality	Name	Gender Age (Note1)	Date Elected	Term	Date First Elected (Note2)	Shareholdings when Elected		Current Shareholdings		Spouse & Children of Minor Age Shareholdings		Shareholdings by Nominees		Working Experiences and Academic Qualifications (Note3)	Position(s) Held Concurrently in the Company and or in Any Other Companies (Note3)	Managers, Directors and Supervisors who is Spouse or within Second Degree Relative of Consanguinity to Each Other			Note	
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship		
Director	ROC Taiwan	Shih-Yun Shen	M 61~70	2021 07.21	3 Years	1997 09.09	1,878,327	1.19	1,868,327	1.18	717,162	0.45	-	-	Chairman of Lin Tan Investment Co., Ltd. Bachelor, Department of Physics, Tamkang University Doctoral in Management, Macau University of Science and Technology Director of Cica-Huntek Chemical Technology Taiwan Co., Ltd.	Executive Vice General Manager, Holy Stone Enterprise Co., Ltd. Legal representative Chairman and General Manager, Infotech (Shanghai), Inc. Legal representative Chairman, Holy Stone International Trade (Shanghai) Ltd.	-	-	-	-	-
Director	ROC Taiwan	Shao-Kuo Huang	M 51~60	2021 07.21	3 Years	2006 06.09	1,063,952	0.67	1,063,952	0.67	-	-	-	-	Chairman of Lin Tan Investment Co., Ltd. Bachelor, Business Management, Tatung University Chairman, Syntek Automation Asia Co., Ltd.	Vice General Manager, Holy Stone Enterprise Co., Ltd Legal representative Director, Infotech (Shanghai) Inc.	-	-	-	-	-
Director	ROC Taiwan	Tang-Ming Wu	M 61~70	2021 07.21	3 Years	1999 04.23	536,043	0.34	536,043	0.34	-	-	-	-	Bachelor, Department of Accounting, Fu Jen Catholic University Accountant, Deloitte Taiwan	Director, Honesty CPA Firm	-	-	-	-	-

Title	Nationality	Name	Gender Age (Note1)	Date Elected	Term	Date First Elected (Note2)	Shareholdings when Elected		Current Shareholdings		Spouse & Children of Minor Age Shareholdings		Shareholdings by Nominees		Working Experiences and Academic Qualifications (Note3)	Position(s) Held Concurrently in the Company and or in Any Other Companies (Note3)	Managers, Directors and Supervisors who is Spouse or within Second Degree Relative of Consanguinity to Each Other			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	ROC Taiwan	Ken-Yi Cheng	M 61~70	2021 07.21	3 Years	2003 05.28	-	-	-	-	-	-	-	-	Bachelor, Department of Accounting, Feng Chia University Vice General Manager, Hyield Venture Capital Co., Ltd. Assistant Manager, Taiwan International Securities Corporation	Director, Grand Fortune Securities Co., Ltd Legal representative Director, Wintech Microelectronics Co., Ltd. Director, Solytech Enterprise Co. Director, Shieh Yih Machinery Industry Co., Ltd. Director, Leader Electronics Inc. Independent Director, Prolific Technology Inc.	-	-	-	-
Independent Director	ROC Taiwan	Nai-Hua Wu	M 61~70	2021 07.21	3 Years	2004 05.28	-	-	-	-	-	-	-	-	Bachelor, Department of Chemical Engineering, National Cheng Kung University Master in Management, National Chengchi University Vice General Manager, Upking International Co., Ltd.	Chairman and General Manager, Instant-Diet Co., Ltd. Independent Director, Apex Science and Engineering Corp.	-	-	-	-

Title	Nationality	Name	Gender Age Age (Note1)	Date Elected	Term	Date First Elected (Note2)	Shareholdings when Elected		Current Shareholdings		Spouse & Children of Minor Age Shareholdings		Shareholdings by Nominees		Working Experiences and Academic Qualifications (Note3)	Position(s) Held Concurrently in the Company and or in Any Other Companies (Note3)	Managers, Directors and Supervisors who is Spouse or within Second Degree Relative of Consanguinity to Each Other			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	ROC Taiwan	Chu-Yang Chien	M 61~70	2021 07.21	3 Years	2003 05.28	-	-	-	-	3,000	-	-	-	Independent Director, Holy Stone Healthcare Co., Ltd. Doctor, Business Administration, National Taiwan University (Group Accounting) Associate Professor and Head of the Department of Accounting, Chung Yuan Christian University Associate Professor of Accounting, National Yunlin University of Science and Technology Director and Members of the Remuneration Committee, Holy Stone Enterprise Co., Ltd. Member of the Remuneration Committee, eGalax_eMPIA Technology Inc.	-	-	-	-	

Note1: Please indicate the actual age, expression in intervals is acceptable. (ex. 41~50, 51~60)

Note2: Time when first elected as director or supervisor should be indicated, if there is any interruption, time should be indicated: independent director Chu-Yang Chien was the Company's director during 2003.05.28~2009.06.16.

Note3: Relevant experience with the current position should be indicated. If experienced in an audit accounting firm or an affiliated company during the previous disclosure period, the position held and the position responsible should be indicated. Mainly lists experience in public offering companies and companies in mainland China.

Note4: If the chairman and the general manager or an equivalent position (top manager) is the same person, or the spouse or first-class relative; reasons, rationality, necessity and countermeasures should be indicated (such as increasing the number of independent directors and more than half of the directors should not be managers and or employees): The Company operates with a combined chairman and general manager system which enhance operational and policy execution efficiency. Meanwhile, constant efforts are made to train and find suitable managerial candidates; additionally, the chairman maintains a constant channel of communication with updates to the board of directors regarding the Company's operations and corporate governance initiatives. In the future, the Company plans to increase independent directors' representation in board of directors to further enhance supervision.

Note5: Name and representative of legal person shareholders should be listed respectively. (if it is the representative of the legal person shareholder, the name should be indicated), and the following charts should be filled (shareholders that are institutional shareholders): Chyang Lo and Chung-Yi Yang are the representatives of Lin Tan Investment Co., Ltd.

Shareholders that are Institutional Shareholders

2022.03.29

Shareholders that are Institutional Shareholders	Major Shareholders of the Institutional Shareholders	Shareholdings %
Lin Tan Investment Co., Ltd.	Fang Hao Investment Co., Ltd.	25.00%
	Kai Shen Investment Co., Ltd.	16.07%
	Cheng Ya Investment Co., Ltd.	12.50%
	Pen Chueh Investment Co., Ltd.	10.71%
	Shih-Wei Yang	5.36%
	Tzu-Hsin Yang	5.36%
	Yu-Ching Tang	4.29%
	Chi-Hao Tang	4.11%
	Chi-Yao Tang	4.11%
	Kai-Li Shen	3.57%

Major Shareholders of Shareholders that are Institutional Shareholders

Unit: shares as of 2022.03.29

Shareholders that are Institutional Shareholders	Major Shareholders
Fang Hao Investment Co., Ltd.	Ming-Hao Lo
Kai Shen Investment Co., Ltd.	Li-Fang Chang
Cheng Ya Investment Co., Ltd.	Yueh-Hua Lin
Pen Chueh Investment Co., Ltd.	Mei-Yu Lin

Information on Directors and Supervisors

1. Disclosure of Professional Knowledge and Independency of Directors

Qualifications Name	Professional Qualifications and Experiences	Independency	Number of Concurrently Holding Positions in Other Publically Listed Companies
Jing-Rong Tang	Qualified and is Experienced for: business and corporate operation	N/A	None
Lin Tan Investment Co., Ltd. Representative: Chyang Lo	Qualified and is Experienced for: business and corporate operation	N/A	None
Lin Tan Investment Co., Ltd. Representative: Yu-Min Wu (Note3)	Qualified and is Experienced for: business, finance, accounting and corporate operation	N/A	None
Lin Tan Investment Co., Ltd. Representative: Chung-Yi Yang (Note3)	Qualified and is Experienced for: business and corporate operation	N/A	None
Shih-Yun Shen	Qualified and is Experienced for: business and corporate operation	N/A	None
Shao-Kuo Huang	Qualified and is Experienced for: business and corporate operation	N/A	None
Tang-Ming Wu (Note3)	(1) Qualified and is Experienced for: business, law, finance, accounting and corporate operation. (2) Certified accountant by national examinations; has been practicing for many years and is the director of an accounting firm; familiar with relevant laws and regulations.	N/A	None
Ken-Yi Cheng	(1) Qualified and is Experienced for: business, law, finance, accounting and corporate operation. (2) Bachelor of accounting in a private university (3) Worked in the securities business field for many years. Has rich industry experience in venture capital, mergers and acquisitions and securities operations. Familiar with securities and future-related laws and regulations. (4) Held the position of director, independent director and supervisors	1. The person, spouse or relatives within the second degree does not serve as directors, supervisors or employees of the Company and or other related companies 2. The number and proportion of the Company's shares held by the person, spouse, or minor children (or in the name of others): 0% 3. Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company 4. No remuneration for	1

	<p>in various companies.</p> <p>(5) No violation of Article 30 of the Company Acts</p> <p>(6) No violation of Article 27 of Company Acts</p>	<p>providing business, legal, financial, accounting and other services to the Company or the affiliated companies in the past 2 years</p> <p>5. Not having a spouse or relative within the second degree with other directors</p>	
Nai-Hua Wu	<p>(1) Qualified and is Experienced for business and corporate operation</p> <p>(2) Worked in the technology industry for years. Has extensive experience in industry insight, product innovation and sales channel deployment.</p> <p>(3) Worked as independent director for other publically listed companies</p> <p>(4) No violation of Article 30 of the Company Acts</p> <p>(5) No violation of Article 27 of Company Acts</p>	<p>1. The person, spouse or relatives within the second degree does not serve as directors, supervisors or employees of the Company and or other related companies</p> <p>2. The number and proportion of the Company's shares held by the person, spouse, or minor children (or in the name of others): 0%</p> <p>3. Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company</p> <p>4. No remuneration for providing business, legal, financial, accounting and other services to the Company or the affiliated companies in the past 2 years</p> <p>5. Not having a spouse or relative within the second degree with other directors</p>	1
Chu-Yang Chien	<p>(1) Lecturer in finance and accounting in private universities</p> <p>(2) Doctoral degree in Accounting in national universities</p> <p>(3) Professional finance and accounting experience from being the associate professor in public and private universities</p> <p>(4) No violation of Article 30 of the Company Acts</p> <p>(5) No violation of Article 27 of Company Acts</p>	<p>1. The person, spouse or relatives within the second degree does not serve as directors, supervisors or employees of the Company and or other related companies</p> <p>2. The number and proportion of the Company's shares held by the person, spouse, or minor children (or in the name of others): 3,000shares, 0%</p> <p>3. Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company</p> <p>4. Remuneration for providing business, legal,</p>	None

		financial, accounting and other services to the Company or the affiliated companies in the past 2 years does not exceed half a million 5. Not having a spouse or relative within the second degree with other directors	
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Note1: Professional Qualifications and Experiences: state the professional qualifications and experiences of individual directors and supervisors. If there are any members of the audit committee who has accounting or financial expertise, their accounting or financial background and work experience should be indicated. State if there is any violation regarding Article 30 of the Company Acts.

Note2: Independency of the independent directors should be indicated. Including but not limited to: whether the person, spouse, relatives within second degree is the director, supervisor or employees of the Company or other affiliated companies; proportion and the amount of shares held by the person, spouse, relative within second degree (or in the name of others); whether serving as a director, supervisor or employee of a company that has a specific relationship with the Company; and the remuneration amount for providing business, legal, financial, accounting and other services in the recent 2 years in accordance to Article 3-1-5~3-1-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

Note3: After the re-election in AGM on 2021.07.21, Yu-Min Wu resigned, Chung-Yi Yang transferred from supervisor to legal person representative of Lin Tan Investment Co., Ltd., Tang-Ming Wu transferred from supervisor to director.

2. Diversification and Independency of the Board of Directors

(1) Diversification

A. Diversification Policy

Article 20 of the Company's Corporate Governance Best Practice Principle specifically stated the policy of the diversity within the members of the board of directors as follows: Directors who concurrently hold the position of management should not exceed one third of the members. Diversification should be taken into consideration in the composition of the members of the board of directors, an appropriate diversification policy should be formulated in accordance to the operation, the operational type and development needs and should include the following two standards:

1. Basic requirements and values include but not limited to: gender, age, nationality and cultural backgrounds; among all, one third of the seats are recommended to be taken by female members.
2. Professional knowledge and skills includes but not limited to: professional backgrounds (law, accounting, industry, finance, marketing or technology), professional skills and industry experience etc.

All members of the board of directors shall have the knowledge, skills and experiences necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Operational Judgment Skills
2. Accounting and Financial Analysis Skills
3. Operational Management Skills
4. Risk Management Skills
5. Industry Knowledge
6. Global Market View
7. Leadership Skills
8. Decision Making Skills

B. Diversification Goals and Implementation Status

The current board of directors is composed of 9 directors (including 3 independent directors, taking up 33.33% of the members of the board of directors and 3 employee directors, taking up 33.33% of the members of the board of directors); directors are all male with the average age of 67 years old. Directors are all Taiwanese nationality; one of them is a U.S. citizen who lived in the United States from time to time, providing multicultural background to the board of directors. The directors have professional educational backgrounds in electrical machinery, physics, chemistry, management,

business management and accounting; they also have professional working experiences in marketing, finance, accounting, technology industry and other relevant field. Implementation status is as follow:

Name	Diversification		Name	Gender	Age	Concurrent Employee	Years of Independent Directors		Qualified Abilities						
							Less than 3 consecutive Years	More than 3 consecutive Years	Operational Judgment	Finance and Accounting Analysis	Business Management	Risk Management	Industrial Knowledge	Global Market View	Leadership
Chairman	Jing-Rong Tang		M	61 ~ 70	V			V		V	V	V	V	V	V
Director	Lin Tan Investment Co., Ltd.	Chyang Lo	M	70 ~ 80						V		V			
Director	Lin Tan Investment Co., Ltd.	Yu-Min Wu (Note1)	F	61 ~ 70				V	V	V	V			V	V
Director	Lin Tan Investment Co., Ltd.	Chung-Yi Yang (Note2)	M	61 ~ 70						V		V			
Director	Shih-Yun She		M	61 ~ 70	V			V		V	V	V	V	V	V
Director	Shao-Kuo Huang		M	51 ~ 60	V			V		V	V	V	V	V	V
Director	Tang-Ming Wu (Note2)		M	61 ~ 70				V	V	V	V			V	V
Independent Director	Ken-Yi Cheng		M	61 ~ 70				V	V	V	V	V		V	V
Independent Director	Nai-Hua Wu		M	61 ~ 70				V	V		V	V	V	V	V
Independent Director	Chu-Yang Chien (Note2)		M	61 ~ 70			V		V	V	V	V			
Supervisor	Tang-Ming Wu (Note1)		M	61 ~ 70				V	V	V	V			V	V
Supervisor	Chung-Yi Yang (Note1)		M	61 ~ 70						V		V			

Note1: Yu-Min Wu resigned after the re-election in AGM on 2021.07.21

Note2: Chu-Yang Chien, Tang-Ming Wu and Chung-Yi Yang inaugurate after the re-election in AGM on 2021.07.21

Policy	Management Goal	Achievement
Numbers of directors who concurrently held the position of managers and above should not exceed one third of the total member of the board of directors.	Numbers of directors who concurrently held the position of managers and above should not exceed one third of the total member of the board of directors.	Completed
Numbers of female director is recommended to be at least one third of the total member of the board of directors.	Having at least one female director	Incomplete: female candidates will be priority considered in the next re-election of the members of the board of directors
Members of the board of directors should generally possess the knowledge, skills necessary to perform their duties.	Overall abilities of the board of directors: operational judgment, finance and accounting analysis, business management, risk management, industrial knowledge, global market view, leadership and decision making.	Completed

(2) Independency of the Board of Directors

The board of director is composed of 9 members, including three independent directors, taking up 33.33% of the total seats of the board of directors; there are no violations of Article 26-3 of the Securities and Exchange Act among the board of directors.

3. Information on General Manager, Vice General Manager, Associate Manager, Managers of Departments and Subsidiaries

Unit Shares as of 2022.03.29

Title	Nationality	Name	Gender	Date Elected	Current Shareholdings		Sopuse & Children of Minor Ages Shareholdings		Shareholdings by Nominees		Principle Work Experience and Academic Qualifications	Positions held concurrently in the Company and or in any other Companies (Note 1)	Managers, Directors and Supervisors who are spouse or within second-degree relative of Consanguinity to Each Other		Note
					Shares	%	Shares	%	Shares	%			Title	Name	
Chairman and General Manager	R.O.C Taiwan	Jing-Rong Tang	M	1984.08.01	3,680,348	2.33	367,901	0.23	-	-	Bachelor, Electronic Engineering, Tatung University General Manager, Panasonic Sales Taiwan Co., Ltd. Bachelor, Electronic Engineering, Tatung University General Manager, Panasonic Sales Taiwan Co., Ltd.	Representative Director and General Manager, eGalax_eMPIA Technology Inc. Director, Holy Stone Healthcare Co., Ltd.	-	-	Note2
Director and Executive Vice General Manager	R.O.C Taiwan	Shih-Yun Shen	M	2002.04.01	1,868,327	1.18	717,162	0.45	-	-	Bachelor, Department of Physics, Tamkang University Doctoral in Management, Macau University of Science and Technology Director, Cica-Huntek Chemical Technology Taiwan Co., Ltd.	Representative Director and General Manager, Infotech (Shanghai) Inc. Representative Director, Holy Stone International Trade (Shanghai) Co., Ltd.	-	-	-
Director and Vice General Manager	R.O.C Taiwan	Shao-Kuo Huang	M	2004.07.01	1,063,952	0.67	-	-	-	-	Bachelor, Business Management, Tatung University Director, Symtek Automation Asia Co., Ltd.	Representative, Infotech (Shanghai) Inc.	-	-	-
Vice General Manager	R.O.C Taiwan	I-Ta Lee	F	2009.01.15	46,465	0.03	-	-	-	-	Bachelor, De François, Chinese Cultural University		-	-	-
Vice General Manager	R.O.C Taiwan	Hui-Bang Yeh	M	2009.01.15	-	0	-	-	-	-	Master, Mining, Metallurgy and Materials Science Institute, National Cheng Kung University		-	-	-
Chief Accounting Officer	R.O.C Taiwan	Shu-Ying Chang	F	2003.05.02	99,888	0.06	-	-	-	-	Master, Graduate Institute of Management Science, Tamkang University Supervisor, eGalax_eMPIA Technology Inc.	Supervisor, Infotech (Shanghai) Inc.	-	-	-

Note1: Mainly publicly traded companies and offices in China.

Note2: Combined Chairman and General Manager Specification: The Company operates with a combined chairman and general manager system which enhance operational efficiency and policy execution efficiency. Meanwhile, constant efforts are made to train and find suitable managerial candidates, additionally; the chairman maintains a constant channel of communication with updates to the board of directors regarding the Company's operations and corporate governance initiatives. In the future, the Company plans to increase independent directors' representation in board of directors to further enhance supervision.

4. Remuneration for Director (Including Independent Directors), Supervisors, General Manager and Vice General Manager Remuneration for Directors and Independent Directors

Unit: Thousand Shares/Thousands of NT\$ as of 2021.12.31

Title	Name	Director Remuneration				Compensation Earned as Employee of the Company or of Consolidates Entities				Total Compensation (A+B+C+D+E+F+G) and % of Net Income (Note 3)		Compensation Paid to Directors from Nonconsolidated Affiliates							
		Remuneration A		Retirement Allowance B (Note1)		Profit Sharing C (Note2)		Allowance D		Total Remuneration of Net Income (Note3)			Base Compensation, Bonuses and Allowances (E)	Retirement Allowance (F)	Employee Profit Sharing (G)				
		The Company	From All Companies within the Financial Report	The Company	From All Companies within the Financial Report	The Company	From All Companies within the Financial Report	The Company	From All Companies within the Financial Report	The Company	From All Companies within the Financial Report				Cash	Share	The Company	From All Companies within the Financial Report	Cash
Director	Jing-Rong Tang (e)	-	-	-	-	-	-	-	-	37,487	10,124	-	-	-	-	-	-	9,5411	1,192
Director	Shi-Yun Shen (b)	-	-	-	-	-	-	-	-	37,487	10,124	-	-	-	-	-	-	9,5411	1,192
Director	Lin Tan Investment Co., Ltd. Representative: Chyang Lo (c)	-	-	-	-	-	-	-	-	37,487	10,124	-	-	-	-	-	-	9,5411	1,192
Director	Lin Tan Investment Co., Ltd. Representative: Yu-Min Wu (d)	-	-	-	-	-	-	-	-	37,487	10,124	-	-	-	-	-	-	9,5411	1,192
Director	Lin Tan Investment Co., Ltd. Representative: Chung-Yi Yang (e)	-	-	-	-	-	-	-	-	37,487	10,124	-	-	-	-	-	-	9,5411	1,192
Director	Shao-Kuo Huang (f)	-	-	-	-	-	-	-	-	37,487	10,124	-	-	-	-	-	-	9,5411	1,192
Director	Tang-Ming Wu (g)	-	-	-	-	-	-	-	-	37,487	10,124	-	-	-	-	-	-	9,5411	1,192
Independent Director	Ken-Yi Cheng (h)	-	-	-	-	7,085	-	-	600	7,685	-	-	-	-	-	-	-	7,685	-
Independent Director	Nai-Hua Wu (i)	-	-	-	-	7,085	-	-	600	7,685	-	-	-	-	-	-	-	7,685	-
Independent Director	Chui-Yang Chien (i)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.39	-

Note 1: There are no circumstances of retirement pension payment

Note 2: Remuneration for directors and supervisors on 2021. Estimated in accordance to the actual payment ratio from the previous year, and is confirmed by the board of directors on 2022.03.09 for the payment amount of NT\$ 49,133 thousands.

Note 3: Net profit after tax refers to the net profit after tax of the individual financial report in 2021.

Note 4: Remuneration for employees on 2021. Estimated in accordance to the actual payment ratio from the previous year, and is confirmed by the board of directors on 2022.03.09 for the payment amount of NT\$ 257,947 thousands.

Note 5: Other than the disclosure chart above, the remuneration received by the Company director for the service provided in the most recent year (serving as a consultant for the parent Company, all Companies in the financial report, reinvestment enterprises that are not employees of the Company etc.): NT\$1,192 thousands.

Note 6: Please specify the relevancy between the policy, system, standard and structure of remuneration of the directors in accordance to their responsibilities, risks, time consumed and other factors: In accordance to Article 19 of the Articles of Association, remuneration of independent directors are reviewed by the remuneration committee, the remuneration committee combines the remuneration number with individual and the Company's operational performance to achieve the rationality and attractiveness of remuneration to retain outstanding candidates and employees, final decision will be made by the board of directors.

Note 7: Representative of the Lin Tan Investment Co., Ltd, Yu-Min Wu resigned on 2021.07.21.

Remuneration for Supervisors

Unit: Thousands of NT\$ as of 2021.12.31

Title	Name	Remuneration for Supervisors						Total Remuneration (A+B+C) and % of Net Income (Note2)		Remuneration paid to Supervisors from Nonconsolidated Affiliates
		Base Remuneration A		Profit Sharing B (Note1)		Allowance C		The Company	From All Companies within the Financial Report	
		The Company	From All Companies within the Financial Report	The Company	From All Companies within the Financial Report	The Company	From All Companies within the Financial Report			
Supervisor	Tang-Ming Wu a	-	-	5,141	5,141	280	5,421	5,421	-	
Supervisor	Chung-Yi Yang b	-	-	-	-	280	0.28	0.28	-	

Note1: Remuneration for directors and supervisors on 2021. Estimated in accordance to the actual payment ratio from the previous year, and is confirmed by the board of directors on 2022.03.09 for the payment amount of NT\$ 49,133 thousands.

Note2: Note3: Net profit after tax refers to the net profit after tax of the individual financial report in 2021

Range of Remuneration for Directors

Range of Remuneration for Directors	Name			
	Summaration of the First 4 Items (A+B+C+D)		Summaration of the First 7 Items (A+B+C+D+E+F+G)	
	The Company	All Companies Involved in the Financial Statement	The Company	All Companies Involved in the Financial Statement
Under NT\$1,000,000	-	-	-	-
NT\$ 1,000,000~NT\$ 2,000,000	j	j	j	j
NT\$2,000,000~NT\$3,500,000	d.e.g.h.i	d.e.g.h.i	d.e.g.h.i	e.g.h.i
NT\$3,500,000~NT\$5,000,000	b.f	b.f	-	d
NT\$5,000,000~NT\$10,000,000	c	c	c.f	c.f
NT\$10,000,000~NT\$15,000,000	a	a	b	b
NT\$15,000,00~NT\$30,000,000	-	-	-	-
NT\$30,000,000~NT\$50,000,000	-	-	-	-
NT\$50,000,000~NT\$100,000,000	-	-	a	a
Over NT\$100,000,000	-	-	-	-
Total	10People	10People	10People	10People

Note: The content of remuneration disclosed in the table is different from the concept of income under the Income Tax Act; therefore this table is intended for information disclosure and not for the purpose of taxation.

Range of Remuneration for Supervisors

Range of Remuneration for Supervisors	Name	
	Summaration of the First 3 Items (A+B+C)	
	The Company	From All Companies within the Financial Report
Under NT\$1,000,000	-	-
NT\$ 1,000,000~NT\$ 2,000,000	-	-
NT\$2,000,000~NT\$3,500,000	a.b	a.b
NT\$3,500,000~NT\$5,000,000	-	-
NT\$5,000,000~NT\$10,000,000	-	-
NT\$10,000,000~NT\$15,000,000	-	-
NT\$15,000,00~NT\$30,000,000	-	-
NT\$30,000,000~NT\$50,000,000	-	-
NT\$50,000,000~NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	2 People	2 People

Note: The content of remuneration disclosed in this table is different from the concept of income under the Income Tax Act; therefore this table is intended for information disclosure and not for the purpose of taxation

Remuneration for General Manager and Vice General Manager

Unit: Thousands shares/thousands of NT\$ as of 2021.12.31

Title	Name	Salary (A)		Retirement Allowance (B) (Note1)		Bonuses and Allowance (C)		Employee Profit Sharing (D) (Note2)				Total Remuneration (A+B+C+D) as % of Net Income (%) (Note 3)		Remuneration received from Nonconsolidated Affiliates	
		The Company	From All Companies within the Financial Report	The Company	From All Companies within the Financial Report	The Company	From All Companies within the Financial Report	The Company	From All Companies within the Financial Report	Cash	Stock	Cash	Stock		The Company
General Manager	Jing-Rong Tang (a)														
Executive Vice General Manager	Shih-Yun Shen (b)														
Vice General Manager	Shao-Kuo Huang (c)														
Vice General Manager	Sheng-Yao Lu (d)	16,222	16,222	-	-	-	-	50,900	-	50,900	-	-	67,122	67,122	65
Vice General Manager	I-Ta Lee (e)														
Vice General Manager	Hui-Bang Yeh (f)														

Note1: There is no circumstance of retirement pension payment

Note2: Remuneration for employees on 2021. Estimated in accordance to the actual payment ratio from the previous year, and is confirmed by the board of directors on 2022.03.09 for the payment amount of NT\$ 257,947 thousands.

Note3: Net profit after tax refers to the net profit after tax of the individual financial report in 2021

Range of Remuneration for General Manager and Vice General Manager

Range of Remuneration for General Manager and Vice General Manager	Name	
	The Company	From All Companies within the Financial Report
Under NT\$1,000,000	-	-
NT\$ 1,000,000~NT\$ 2,000,000		
NT\$2,000,000~NT\$3,500,000	d.f	d.f
NT\$3,500,000~NT\$5,000,000	c.e	c.e
NT\$5,000,000~NT\$10,000,000	b	b
NT\$10,000,000~NT\$15,000,000	-	-
NT\$15,000,00~NT\$30,000,000		
NT\$30,000,000~NT\$50,000,000	a	a
NT\$50,000,000~NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	6 People	6 People

Note: The content of remuneration disclosed in this table is different from the concept of income under the Income Tax Act; therefore this table is intended for information disclosure and not for the purpose of taxation

Employee Profit Sharing Granted to Management Team

Unit: Thousands of NT\$ as of 2021.12.31

Title	Name	Stock	Cash	Total	Proportion of Total Amount to Net Profits After Tax (%)
General Manager	Jing-Rong Tang	-	55,100	55,100	2.82
Executive Vice General Manager	Shi-Yun She				
Vice General Manager	Shao-Kuo Huang				
Vice General Manager	Sheng-Yao Lu				
Vice General Manager	I-Ta Lee				
Vice General Manager	Hui-Bang Yeh				
Chief Accounting Officer	Shu-Ying Chang				

Note: the amount of employee remuneration received by the manager is calculated as an estimated amount based on the ratio of the actual distribution amount in the previous year and the proposed distribution of employee remuneration in the current year.

5. Analysis of the percentage of total compensation paid to the Company's directors, supervisors, general manager and vice general managers to net income from the Company and all consolidated entities in the past two fiscal years and description on correlation between compensation paid process and operating performance as well as future risks.

(1) Analysis of the Proportion of Total Amount to Net Profits after Tax (%)

Title	Item	Proportion of Total Amount to Net Profits After Tax (%)			
		2020		2021	
		The Company	All Companies in the Consolidated Financial Statement	The Company	All Companies in the Consolidated Financial Statement
Directors		5.31	5.32	5.28	5.28
Supervisors		0.58	0.58	0.28	0.28
General Manager and Vice General Manager		3.57	3.57	3.44	3.44

- (2) Policies, standards and packages for payment of compensation as well as the procedures followed for determining the compensation, and their linkages to business performance and future risk exposures:

- i. In accordance to Article 19 of the Articles of Association, after deducting the benefits before the distribution of employee remuneration and directors and supervisors' remuneration from the current years' pre-tax benefits, after retaining the amount of accumulated losses (including adjustment of the undistributed surplus amount), allocation of no less than 7% employee benefit and no more than 3% of directors and supervisors' remuneration if there is a surplus. In addition, Article 16 of the Articles of Association stated that, the board of directors is authorized for deciding the travel expense and remuneration of all directors and supervisors according to their participation and contribution to the operation of the Company, and taking into account the standards of the industry.

The following items shall be reviewed by the remuneration committee, and will be passed by the board of directors and further submit to the shareholders meeting: the employee remuneration distribution ratio, the board of directors and supervisors' remuneration ratio, distribution in cash or in stock and the board of directors' attendance fee and profit sharing.

- ii. In accordance to the Articles of Association and Charter of Remuneration Committee, the remuneration committee reviews the remuneration of employees, directors and supervisors with the following two performance evaluation method, then further submit the results to the board of directors for final decision making:

A. Remuneration for Directors and Supervisors

Sets in accordance to the involvement in operations, contribution value, justification of performance risk, fairness and remuneration; along with the board of directors' performance evaluation result, operational result and the appropriate level in the industry.

B. Remuneration for General Manager and Vice General Manager

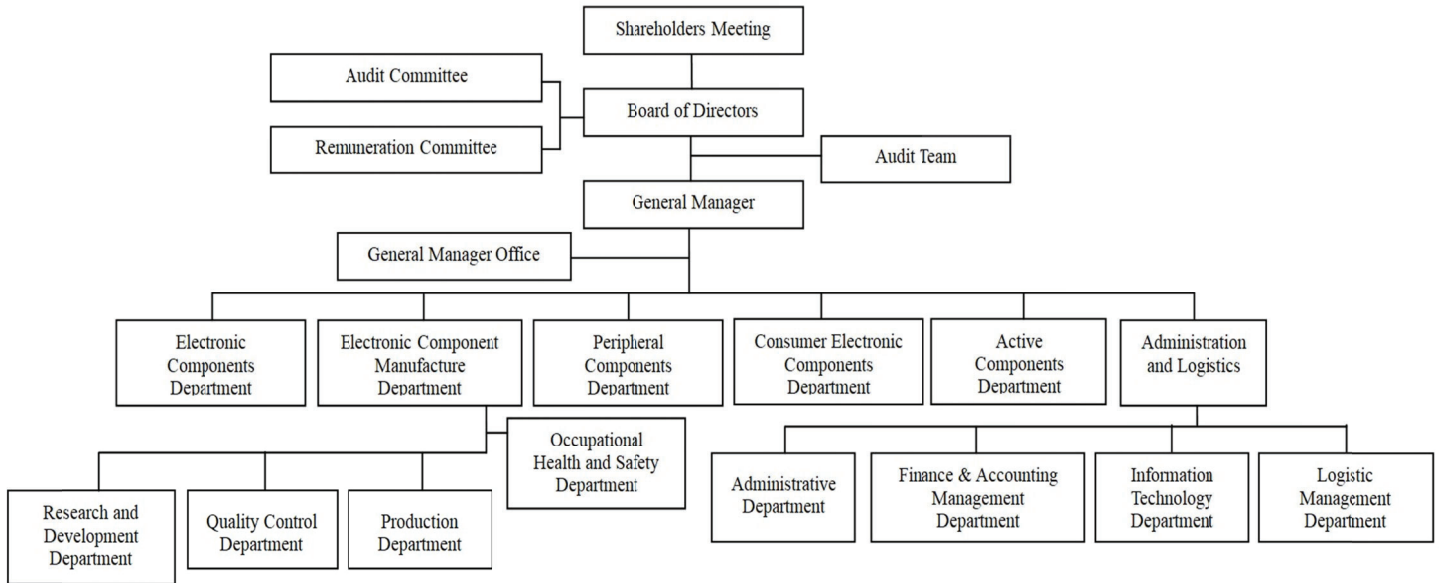
Sets in accordance to personal work performance, goal achievement, individual contribution to the overall business performance of the company, relevance of future risks and rationality as well as the operational result and the appropriate level in the industry.

After the settlement of the abovementioned remuneration amount, the

remuneration committee regularly checks, in accordance to, the actual operational status and relevant laws and regulation, review the amount of remuneration of directors, supervisors and managers from time to time.

III. Risk Management Policy

1. Structure of Risk Management



2. Policy of Risk Management

Company operations are executed according to short-term, mid-term and long-term development strategies. Risks are inevitable in the process of operation, therefore, before major decisions are made evaluations on such matters are conducted cautiously by the management team. The board of directors will exert knowledge in their field of profession whereas relevant management units will execute the plan to minimized potential risks.

3. Organizations and Responsibilities of Risk Management

The Company divides risk management responsibilities among different management teams depending on the nature of business. These includes: market risks, financial risks, liquidity risks, credit risks, legal risks, strategic and operational risks.

(1) Audit Team:

Responsible for evaluating significant risks and placing these risks in the center of audit planning. The audit team shall submit reports regarding relevant risks.

(2) General Manager's Office:

Responsible for planning business strategies and monitoring the operational results and efficiencies to lower strategic risks. Responsible for legal risks management through compliances on governmental laws, supervisory measures and handling underlying contracts and litigations to lower legal risks.

(3) Production Department:

Ensuring the production process in accordance to relevant SOPs and procedures. Responsible for avoiding delays in production and delivery schedule. Complies with ISO (International Organization for Standardization) standards to execute daily management.

(4) Quality Assurance and Control Department:

Ensure products' quality and manufactured in accordance to standards of EIA (Electronics Industry Alliance) to lower risks related to quality and customer complaints.

(5) Research and Development Department:

Responsible for research and development of new products, evaluate possible chances of infringing existing patents or intellectual properties from the development of new products.

Manage patent and intellectual properties.

(6) Occupational Health and Safety Department:

Responsible for the planning and execution of occupational safety and health measurements to comply with relevant laws and regulations to lower risks associated with occupational safety and health.

(7) Administrative Management Department:

Sets up risk management policies for HR department in accordance with relevant laws and regulations.

(8) Finance & Accounting Department:

Responsible for asset risk management, complying with relevant laws and regulations to ensure the sustainability of the Company and safeguarding of assets. The department is also responsible for the mid-to-long-term investment gains, conducting and controlling financial operations and establishing hedging mechanisms. Lowering financial risks through compliance with laws and regulations as well as ensuring reliable financial reporting.

(9) Information Technology Department:

Responsible for building and maintaining ERP system and network, ensuring cyber security through taking precaution measurements to lower information and technology risks.

(10) Logistic Management Department:

Sets up the overall and complete logistic operation to decrease risks exposed during transportation of products and process of storages.

IV. Corporate Governance Status

1. The Operational Status of the Board of Directors

Operational Status of the Board of Directors

In 2021, the board of directors had 7 meetings (A), attendance of directors and supervisors are as follow:

Title	Name (Note1)	Actual Attendance B	Delegated Attendance	Actual Attendance Rate (%)(B/A) (Note2)	Note
Chairman	Jing-Rong Tang	7	0	100.00	-
Director	Lin Tan Investment Co., Ltd. Representative: Chyang Lo	6	1	85.71	-
Director	Lin Tan Investment Co., Ltd. Representative: Yu-Min Wu	3	0	100.00	Resigned 2021.07.21
Director	Lin Tan Investment Co., Ltd. Representative: Chung-Yi Yang	4	0	100.00	Inaugurate 2021.07.21
Director	Shih-Yun Shen	5	2	71.43	-
Director	Shao-Kuo Huang	7	0	100.00	-
Director	Tang-Ming Wu	4	0	100.00	Inaugurate 2021.07.21
Independent Director	Ken-Yi Cheng	7	0	100.00	-
Independent Director	Nai-Hua Wu	7	0	100.00	-
Independent Director	Chu-Yang Chien	4	0	100.00	Inaugurate 2021.07.21
Supervisor	Tang-Ming Wu	3	0	100.00	Resigned 2021.07.21
Supervisor	Chung-Yi Yang	2	0	66.67	Resigned 2021.07.21

Note: during the AGM of 2021.07.21, audit committee was established in replacement of the responsibilities of the supervisors.

Other thing that should be noted:

1.Date, period, content of the meeting, opinions of all the independent directors and the handling of the opinions by the Company should be listed if any of the following occurs:

(1)Matters Listed in Article 14-3 of the Securities and Exchange Act:

In accordance to the Securities and Exchange Acts, the Company has establish audit committee in replacement of the responsibilities of the supervisors in the AGM of 2021, therefore, started from 2021.07.21 Articles 14-3 of the Securities and Exchange Act is not applicable to the Company. Please refer to the audit committee or the operational status of the audit committee of 2021 for further details:

Date	Period	Content	Opinions of the Independent Directors	Handling of the opinions raised by the Independent Directors	Objections and or Reservations held by the Independent Directors that are Recorded or in Written Statement
2021 03.11	2021 1 st time	1.Revise internal regulations of the Company (1) Rules and Procedure for AGM (2) Director Election Method (3) Guidelines for Handling Acquisition and Disposal of Assets (4) Guidelines for Lending Capital (5) Guidelines for Endorsements and Guarantees 2.Effectiveness of the Internal Control System of 2020 3.Adjustment of the CPA for financial report verification	None	None	None
2021 05.03	2021 2 nd time	1.Purchasing business facilities from related personnel, Everplus Material Co., Ltd. 2.The cumulative amount of business facilities purchased from the related personnel, the Everplus Material Co., Ltd. within one year has reached the materiality standard	None	None	None

(2)Other than the previously listed contents, other objections and reservations held by the independent directors that are recorded or has written statement: None

2.Name of the directors, content of the meeting, reasons for conflict of interests and situation of voting should be listed in regards to conflict of interests of the directors:

Date	Period	Content	Interest Conflicted Directors	Reasons for Interests of Conflicts and the Participation in Voting
2021.08.02	15 th BOD	Entitled the member of the 5 th Remuneration committee	Ken-Yi Cheng Nai-Hua Wu	The appointed person is the

	2 nd Time		Chu-Yang Chien	independent director. Each of the appointed directors shall explain their conflict of interests in the case and withdraw from the discussion and voting of the case. After the consultation by the chairman, the proposal was passed with no objections from the directors presented.
2021.11.03	15 th BOD 3 rd Time	Regularly reviews relevant contents regarding remuneration for the directors, supervisors and managers: 1. Review the evaluation of performance and remuneration's policies standards and structures 2. Evaluates the achievement status of the performance goal of 2021, re-stipulate and review the content of the remuneration	All Members	As this case involves the distribution of remuneration for individual director and the content and amount of remuneration for individual managers who also serve as managers and directors, each director shall explain his or her own conflict of interests in this case and withdraw from the discussion and voting of this case. The resolutions were approved without any objections after the consultation with the presented directors.
2021.12.15	15 th BOD 4 th Time	Directors, supervisors and managers' remuneration: 1. Review the achievement of the performance goal for 2021 and the content of remuneration 2. Stipulate annual performance goal and remuneration advice for 2022	All Members	As this case involves the distribution for individual directors and the content and amount of remuneration for individual managers who also serve as managers and

				directors, each director shall explain his or her own conflict of interests in this case and withdraw from the discussion and voting of this case. The resolutions were approved without any objections after the consultation with the presented directors.
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3.Evaluation period, range, method and content as well as the result should be listed for the directors (or peers) self-evaluation:

(1).The Company has stipulated the Board of Directors Performance Evaluation Method after the approval by the board of directors on 2020.08.05. Contents are as follow:

I.Evaluation Period

At least once every year; and can at least once every 3 years be evaluate by external professional companies and experts

II.Evaluation Range

Board of directors, individual directors and functional committees

III.Evaluation Method

Board of directors internal self-evaluations, members self-evaluation, peers evaluation and or appointment of external professional bodies experts or other appropriate means for performance evaluation

IV.Evaluation Content

Evaluation Range	Board of Directors	Members of the Board of Directors (self or peer)	Functional Committees
Items	Including 5 Aspects: 1.Participation in the operation of the Company 2.Elevate the quality of decision making of the board of directors 3.Formation and structure of the board of directors 4.Election of the board of directors and their continue education 5.Internal Control System	Including 6 Aspects: 1.Master of the goals and tasks of the Company 2.Cognition of the responsibility for the board of directors 3.Participation in the operation of the Company 4.Internal relationship management and communication 5.Professionals of the board of directors and their continue education 6.Internal Control System	Including 5 Aspects: 1.Participation in the operation of the Company 2.Cognition of the responsibility for the functional committee 3.Elevate the quality of the decision making of the functional committee 4.Formation of the functional committee and the election of its members 5.Internal Control System

(2).The implementation status of board of directors' evaluation of 2021:

Evaluation Period	Evaluation Period	Evaluation Range	Evaluation Method	Evaluation Content	Evaluation Cycle
1.evaluate once every year 2.evaluate by external professional teams or corporate once every three years	2021.01.01 ~ 2021.12.31	1. Board of Directors 2. Members of the board of directors 3. Remuneration Committee 4. Audit Committee	1. Board of directors self-evaluation 2. Board of directors members' self-evaluation 3. Remuneration committee members' self-evaluation 4. Audit committee members' self-evaluation	Please refer to 1.4	Most of the evaluation results of the evaluation indicators are in strong agreement; the board of directors, board members and remuneration committee work well as a whole, comply with corporate governance requirements and can effectively strengthen the functions of the board of directors and safeguard the rights and interests of shareholders

4.The objectives of strengthening the functions of the board of directors in the current year and the most recent years (such as setting up an audit committee, improving information transparency etc.) and evaluation of their implementations:

There are a total of 9 directors (including 3 independent directors) for the term of 3 years; election method is in accordance to Article 192-1 of the Company Act; chairman of the board of director is Jing-Rong Tang, bringing the board of directors into implementing corporate governance and management system:

(1)Implementation of a positive board governance system

I. In the Corporate Governance Best Practice Principles, it is stated that in the election of the members of the board of directors, over all configuration, operational judgment and management, as well as the professionalism and diversification of the composition of the members should all be taken into consideration.

Diversification Management Goals:

- i. The Company pays close attention to gender equality in the composition of the board of directors, having at least one female director is set to be the goal.
- ii. The board supports and monitors actions taken by the management to increase the ratio of female senior managers

There is no female director in the current terms of the board of directors. In the member election of the next board of directors, female candidates will be prioritized.

II. Operation of the board of directors follows the Articles of Association, the Rules of Procedure for Board Meeting, the resolutions made during the AGM and relevant laws and regulations.

III.The current term of the board of directors is composed by 9 directors and 3 independent directors (taking up 33.33% of the seats on the boards meeting); remuneration committee and audit committee are composed by all independent directors, assisting the board of directors to perform its supervisory duties and regularly report the operational status to the board of directors.

IV.Purchased liability insurance for directors and supervisors for USD\$5million.

(2)Improve the Supervision Function

I. Board's meeting of the Company is launched at least once every quarter for the inspection of the operational performance and major resolutions; total of 7 meetings were launched in 2021, the

average attendance rate is 95%.

II. Meeting of the audit committee launches at least once every quarter to inspect the following criteria: the fairness of the presentation of the Company's business report; the election, dismissal, independency and performance; the implementation status of the internal control system; potential risks and the compliance of relevant laws and regulations; total of 3 meetings were launched in 2021, the average attendance rate is 100%.

(3) Strengthen Management Skill

I. Responsible department is established for: functional committees; the attendance and continue education of the directors and supervisors; publication of major news and information to ensure things are properly and timely provided to the public through websites such as the MOPS; expected to set up corporate governance director to assist related matters in 2022.

II. Stipulated the Board of Directors Standard Operating Procedures on 2019 to assist directors in performing their duties and to enhance effectiveness of the board of directors.

III. Stipulated the Board of Directors Performance Evaluation Method on 2020 to evaluate the performance of the overall board of directors, enhancing the efficiency of the board of directors.

i. Performance evaluation of 2020 is reported to the board meeting on 2021.03.10.

ii. Performance evaluation of 2021 is reported to the board meeting on 2022.03.09.

(4) Continue to strengthen the structure and operation plan of the board of directors, continue to promote the implementation of sustainability and strive to improve inflation transparency

Note1: if the directors and supervisors are legal persons, the names of the legal person shareholders and their representatives shall be disclosed

Note2:

(1) If the director and supervisor resign before the end of the year, the date of resignation shall be indicated in the remarks column, and the actual attendance rate(%) shall be calculated based on the number of board meetings and the actual number of attendance(present) during the term of office

(2) Before the end of the year, if there is a re-election of the director, the new and old directors and supervisors shall be filled in, and the old or new or re-appointed and re-election date of the director and supervisors shall be indicated in the remarks column. The actual attendance rate(%) is calculated by the number of board meetings and the number of actual attendance(percentage) during the term of office

2. Information on the Operational Status of the Audit Committee

1. Operational status of the Audit Committee

Operational Status of the Audit Committee

The Company established the audit committee in accordance to laws and regulations. The audit committee is composed of all the independent directors; meetings of the audit committee is set to be at least once every quarter and whenever necessary.

Main tasks of the audit committee includes: supervising the fair presentation of the Company's financial statement, selection and dismissal and independency evaluation, implementation efficiency of internal control, compliance of relevant laws and regulations as well as risk management. In addition to sending the audit report to the independent directors monthly, audit committee also reports major findings of the Company's internal control management to the directors in the board of directors. Independent directors communicates with audit supervisors at least once every quarter on findings regarding the Company's internal control management; communicate with the accountants at least twice a year on the audit or review of the Company's consolidates financial report (annual including individual financial report).

Recently audit committee had 3 Meetings (A); attendance of independent directors is as follows:

Title	Name	Actual Attendance(B)	Delegated Attendance	Actual Attendance Rate(%) (B/A)	Note
Chairman	Ken-Yi Cheng (Independent Director)	3	0	100	-
Member	Nai-Hua Wu (Independent Director)	3	0	100	-
Member	Chu-Yang Chien (Independent Director)	3	0	100	-

Note: Audit committee was established in replacement of the responsibilities of the supervisors by the AGM on 2021.07.21.

Other contents to be noted:

1. When the following situation occurred to the operation of the audit committee, state the date, period, proposal contents, resolutions, and the handling of the audit committee's opinion by the Company:

(1) Matters specified in Article 14-5 of the Taiwan's Securities and Exchange Act:

Meeting Date	Period	Content	Contents of Independent Directors' Objections, Reservations or Major Proposals	Resolution	Handling of the Audit Committee's Opinion	Resolution not approved by the Audit Committee but approved by 2/3 of all directors
2021.08.02	1 st Audit Committee 1 st Meeting	<ol style="list-style-type: none"> 1. Reportation of the consolidated financial report of quarter two of 2021 2. Revise Annual Operational Plans for 2021 3. Extension of guarantee period for endorsement of bank financial limit for Everplus Material Co., Ltd. 4. Revise Internal Control System 5. Revise Annual Internal Audit Plan of 2021 	None	None	None	None
2021.11.03	1 st Audit Committee 2 nd Meeting	<ol style="list-style-type: none"> 1. Reportation of the consolidated financial report of quarter 3 of 2021 2. Purchase of business facilities from related personnel Everplus Material Co., Ltd. 	None	None	None	None
2021.12.15	1 st Audit Committee 3 rd Meeting	<ol style="list-style-type: none"> 1. Evaluates the independency and suitability of the CPA for Annual Report of 2021 2. Stipulate the Internal Audit Plan for 2022 3. Revise relevant articles in the Internal Control System 4. Remuneration for the Directors, Supervisors and Managers 	None	None	None	None

(2) Other than the previously listed contents, resolutions not approved by the audit committee but approved by 2/3 of all directors: None.

2. Name of the independent directors, content of the resolution, reasons for conflict of interests and the involvement situation in voting should be indicated if there are cases of conflict of interests.

3. Communication between independent directors and internal audit supervisors and accountants (should include major issues, methods and results of communication on the Company's financial and business status etc.)

(1) Communication with the Audit Manager:

1. In the month following the completion of the audit project or irregularly when deemed necessary, submit the audit report to the independent directors and conduct two-way communication

2. Report the process of the internal audit to the independent directors quarterly before the board's meeting, communicates about the results of the internal audit as well as the implementation of the following up reports.

3. Summary of Communications:

(1) Other than the quarterly meeting, communications should be done whenever necessary; communications can be done via phone calls, emails and or in person meetings.

(2) Communication Execution and Effectiveness: In good condition.

(3) The major matters of the communications between independent directors and internal auditors:

Date	Communication Focus	Execution Result
2021.08.02	1. Reportation of the second quarter internal audit implementation status of 2021 2. Case: Revise Internal Control System 3. Revise Internal Audit Plan for 2022	1. Manager of the audit team explained to the independent directors the results of the internal audit in the current quarter. Other than the audit suggestion, there were no major abnormalities. The suggestion is expected to be reviewed in 3 months to track its improvement, and the review results will be reported to the audit committee and the board meetings. 2. Revise the Internal Control System and Internal Audit Plan in response to the establishment of the audit committee in replacement of the supervisors 3. Independent directors held no other opinions and comments 4. Review and or approve by the audit committee 5. Declare the Internal Audit Plan to the competent authority within the statutory time
2021.11.03	Reportation of the third quarter internal audit implementation status of 2021	1. Internal audit supervisors explained to the independent directors the results of the internal audit implementation in the current quarter and the review results of the internal audit recommendations in the previous quarter. Except for the continuous follow up the of the internal audit recommendations that have not been completed, there is no major abnormalities 2. Independent directors held no other opinions or comments 3. Review and or approved by the audit committee
2021.12.15	1. Internal Auditor Name List of 2022 2. Revision of Internal Control System 3. Stipulate Internal Audit Plan for	1. Internal audit managers reports to the independent directors: (1) Lists of the internal auditors and their relevant education and professional experiences

	2022	<p>and trainings meets the requirements required by law</p> <p>(2) Stipulate annual internal audit plan for the coming year in accordance to: risk evaluation, range, subjects, frequency and man power allocation</p> <p>(3) Reasons for revision on relevant contents in the internal control system and major issues</p> <p>2. Independent directors held no other opinions or comments</p> <p>3. Reviewed and or approved by the audit committee</p> <p>4. Declare the Internal Auditors Name List and the Internal Audit Plan to the competent authority within the statutory time</p>
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(2) Communication with the Accountants:

1. Meeting at least twice every year to report to the independent directors on the review or review results of the financial statements of the Company and its subsidiaries at home and abroad. Communicate regarding financial statement adjustment or the impact of legal amendments on the Company, communicates with the accountant whenever necessary regarding any financial issues.
2. The audit committee reviews the independency and appropriateness of the Certified Public Accountant regularly annually. Independent directors all participates in the audits.
3. Summary of Communications:
 - (1) Other than the regular meetings, communications should be done whenever necessary; communications can be done via phone calls, emails and or in person meetings.
 - (2) Communication Execution and Effectiveness: In good condition.
 - (3) Summary of Major Content of Communications are as Follows:

Date	Communication Focus	Execution Result
2021.08.02	<ol style="list-style-type: none"> 1. Reportation in regard to the review to the consolidated financial statement of the second quarter of 2021 and the status of internal control 2. Applications and communications regarding the impact brought by recent important laws and regulations changes 	<ol style="list-style-type: none"> 1. Accountant should explain to the Independent Director: <ol style="list-style-type: none"> (1) Explanation on the implementation of the Internal Control System for reviewing financial statements and auditing, and discussing and communicating the issues raised by the directors (2) Explain to the independent directors regarding the recent impacts by the laws and regulations 2. The independent directors held no other opinions or comments 3. Approved by the audit committee 4. Declaration of the financial report to the competent authority within the statutory time

Note1: if an independent director resigns before the end of the year, the date of resignation shall be indicated in the remarks column, and the actual attendance rate (%) shall be calculated based on the number of audit committee meetings and the number of actual attendance during the term of office.

Note2: before the end of the year, if there is an independent director re-election, the new and old independent director should be filled in, and the old, new or re-appointed and the re-election date of the independent director should be indicated in the remarks column. The actual attendance rate (%) should be calculated based on the number of audit committee meetings and the number of actual attendance during the term of office.

Participation in the Board's Meeting by the Supervisors

Recently, the board of directors had 3 meetings (A); attendance of the supervisors is as follow:

Title	Name	Actual Attendance (B)	Delegated Attendance	Actual Attendance Rate (%) (B/A)	Note
Supervisor	Tang-Ming Wu	3	0	100.00	-
Supervisor	Chung-Yi Yang	2	0	66.67	-

Note: prior to the replacement of the supervisors by the audit committee in AGM on 2021.07.21, 3 board meetings were launched.

Other things to be noted:

The Company has two seats of supervisors; all are invited to participate in the board of directors' meetings to provide their opinions for the operational status of the Company as well as to perform their duties of monitoring the operational status of the board of directors.

A. Formation and Responsibilities of the Supervisors:

1. Communication status between supervisors with employees and shareholders (such as communication channels and methods):
 - (1) Irregularly visit the Company for inspections; communicate with employees whenever necessary
 - (2) Communicate with the employees and shareholders by regularly attending the board's meetings and AGM and important meetings of the Company
2. Communication between supervisors, internal audit manager and the accountant (in terms of the communication contents, methods and results of the financial and business conditions of the Company)
 - i. Communication with the Audit Manager:
 - (1) Provide audit reports to the independent directors and supervisors and conduct two-way communication when necessary in the month following the completion of the audit project or from time to time
 - (2) Regularly submit audit report to independent directors and supervisors before board meetings on a quarterly basis; communicate audit results with independent directors and supervisors and the implementation of the follow-up reports
 - (3) Summary of Communications:
 - A. Other than the regular quarter meetings, communicates whenever necessary: communication methods can include but not limited to, phone calls, emails and or in person meetings.
 - B. Communication Execution and Effectiveness: in good condition
 - C. Major contents are as follow:

Date	Communication Content	Process the Execution Result
2021.03.11	<ol style="list-style-type: none"> 1. Internal audit execution report of quarter 4 of 2020 2. Report of the summary of the results of the implementation of 2020 annual internal audit 3. Statement of Internal Control System of 2020 	<ol style="list-style-type: none"> 1. Explanation to the independent directors and the supervisors by the audit manager: <ol style="list-style-type: none"> (1) Review of the result of the audit report from the previous quarter (2) Implementation statues of annual internal audit: no major deficiencies (3) Implementation status and results of the annual internal audit of each departments: no major risks (4) Obtained the internal accounting control proposal from the accountant; no major deficiencies were found The Company issues the Statement of Internal Control System due to the effectiveness of the Company's Internal Control System 2. Independent directors and supervisors held no other objections and opinions 3. Declaration of the implementation status of the Internal Audit and Statement of Internal

		Control System to the competent authority within the statutory time
2021.05.03	Internal audit execution report of the first quarter of 2021	<ol style="list-style-type: none"> 1. Explanation to the independent directors and supervisors about the current quarter internal audit by the internal audit manager: no major deficiencies were found 2. Independent directors and supervisors held no other objections and opinions
<p>ii. Communication Status with the Accountant</p> <ol style="list-style-type: none"> (1) At least twice a year, at the board's meetings, report to independent directors and supervisors on the review and or review results of the financial statements of the Company and its domestic and overseas subsidiaries and the internal control review situation; communicate possible impacts regarding changes in the laws and regulations on the reportation of the financial statement; communicate with accountants whenever necessary (2) Independency and suitability of the CPA are evaluated by the board of directors annually, independent directors and supervisors both attend the evaluation meeting (3) Summary of Communications: <ol style="list-style-type: none"> A. Other than the regular quarter meetings, communicate whenever necessary: communication methods can include but not limited to, phone calls, emails and or in person meetings B. Communication execution and effectiveness: In good condition C. Major contents are as follow: 		
Date	Communication Content	Process the Execution Result
2021.03.11	<ol style="list-style-type: none"> 1. Audit results of the annual individual and consolidated financial report and internal control inspection report of 2020 2. Communication of key audit items in the audit report 3. The impact of recent important laws and regulations; applicable instruction and communication on the new announcements 	<ol style="list-style-type: none"> 1. Explain to the independent directors and the supervisors by the accountant: Explain the profit and loss adjustment of the annual audited financial statements and the scope, methods and findings of the Internal Control System inspection and evaluation; discuss and communicate the issues raised by the directors and supervisors 2. Approval of the Annual Financial Report by the board of directors 3. Independent directors and supervisors held no other objections and opinions 4. Declaration of the financial statement of the Company to the competent authority within the statutory time
<p>B. If supervisors held any opinions, date of the meeting, period of the meeting, content of the meeting, resolutions of the meeting and the handling of the supervisors' opinion by the Company should be listed: None</p>		

1. Difference between the corporate governance implementation and the Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies and reasons:

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
I. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V	No	Abstract Illustration The Company has established the Corporate Governance Best-Practice Principles in accordance to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. The information has been disclosed on the Company's website and MOPS.
II. Shareholding Structure & Shareholder's Rights			
(1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations and implement based on the procedure?	V		1. The Company has designated spokesperson, deputy spokesperson, public relations, investor relations and stock affairs office to communicate with shareholders and stakeholders, when encountering shareholder's inquiries, each department responds to the inquiries accordingly. Please visit: https://www.hollystone.com.tw for further information. 2. Shareholders' meetings are held in accordance to the Rules and Procedures for Board Meetings.
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		Other than analyzing the distribution profile of share ownership after the last day for stock transfer, the Company also has stock affairs office and specialists to stay in touch with stock transfer institution to maintain the list of main shareholders and its main controllers and the report the stock change information of the Company's insiders and major shareholders according to relevant laws and regulations.
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		The Company has established and managed in conformity to the internal control system, such as Procedures Governing Related Parties Transactions, Operational Specifications for the Financial Services of Affiliated Enterprise, Regulations on Supervising Subsidiaries, Guidelines for Endorsements and Guarantees, Guidelines for Lending of Capitals and Guidelines for Handling Acquisition and Disposal of Assets to manage risks between the Company

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		and subsidiaries. 1. Procedure for Handling Material Information is stipulated to prohibit insiders from using unpublished information to purchase and sell securities; Corporate Governance Best Practice Principle also regulates insiders from purchasing and selling the Company’s stock when they learn of the Company’s financial report announcement closed period or related performance content; insider trading were specially indicated in the Internal Control System, preventing the occurrence of insider trading. 2. Internal trainings regarding insider trade, fair trade and compliances to laws and regulations are given to the employees, participants include managers’ sales and operational officers, a total of 67 participants with 17 hours of trainings were done in 2021. 3. Relevant information is disclosed in the Corporate Governance section of the Company’s website.	No Difference
III. Composition and Responsibilities of the Board of Directors				
(1) Does the board of directors develop a diversified policy, specific management goals and implement its operation for the composition of its members?	V		1. Please refer to page 12 to 14 of this Annual Report for further information regarding diversification, management plan and implementation status of the board of directors. 2. Relevant information is disclosed in the Corporate Governance section of the Company’s website.	No Difference
(2) Does the Company voluntarily establish other functional committees in addition to the remuneration committee and the audit committee?		V	Other than the remuneration committee and the audit committee, the rest of the corporate governance operations are carried out by each unit of the Company according to their respective functions. No other functional committees are established yet, planning and setting will be considered in accordance to the laws, operational scales and development needs.	No Significant Difference
(3) Does the Company establish a standard to measure the performance of the board	V		1. Board of Director Performance Evaluation Method is used to evaluate the performance of the directors annually. The 2021 annual performance	No Difference

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
of directors, and implement it annually? Is the result provided to the board of directors for the consideration of board of directors’ remuneration and nomination for renewal?			evaluation results of the directors, individual directors, remuneration committee and audit committee have been submitted to the board of directors on 2022.03.09. Results will be used as a reference for individual directors’ remuneration and nomination for re-election, in order to strengthen the operation efficiency of the board of directors. 2. Relevant information is disclosed in the Corporate Governance section of the Company’s website.
(4) Does the Company regularly evaluate the independence of CPAs?	V		The Company has entrusted the KPMG for the Financial Reporting Visa. KPMG self-evaluates its employees with relevant regulations, however, the Company annually evaluates the entrusted CPA for : experiences, academic experience, current visa, whether there are conflict of interest between their customers, CPA certification, non-auditing services and reasonability of auditing fee, ensuring that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company. Results are given to the board of directors. Evaluation of the suitability and independency of the CPA is approved by the board of directors on 2021.12.15.
IV. Does the Company establish a division who handles Corporate Governance matters?		V	The Company has set up corporate governance promotion team. The general manager’s office is the main responsible unit, in charge of the relevant corporate governance issues. There are currently no specific managers for corporate governance matters, in the future, planning and settings will be considered in accordance to laws, operational scales and practical operation requirements.
V. Does the Company establish a communication channel and build a designated section on its website for stakeholders (includes but not limited to : shareholders, employees, customers and suppliers) and build a designated section on its website for	V		1.Designated personnel are responsible for handling needs, request and expectations of stakeholders. Various communication channels are provided. For further information on issues concerned by the stakeholders as well as actions taken by the Company, please refer to page 44 of this Annual Report. 2.Latest information is provided via the MOPS website as well as the

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?			Company’s website. Contacts from stakeholders are welcomed through any methods listed on the MOPS and the Company’s website.	
VI. Does the Company entrusted a professional stock agency for shareholders affairs?	V		The Company entrusted CTBC Commercial Bank CO., Ltd., for relevant shareholders affairs. Regulations on Governing Handling of Stock Affairs are also established for corresponding issues.	No Difference
VII. Information Disclosure				
(1) Does the Company have a corporate website that discloses information on both financial standings and the status of corporate governance?	V		The Company has set up a website in Chinese which updates regularly with the latest information on products, corporate information and financial statements.	No Difference
(2) Does the Company have other information disclosure channels (that includes but not limited to: English website, designated disclosure personnel, spokesperson and webcasting investor conferences)?	V		1.The Company has set up and implemented the spokesperson and designated spokesperson system. A designated person is responsible for the collection and disclosure of Company information, as well as the participation in at least 2 investor’s conferences every year. Information regarding the investor conferences will be declared before and after the conferences on the MOPS website as well as the Company’s website for the investors’ references. 2.Major information regarding the financial and operational status is published in both Chinese and English for our domestic and foreign investors to examine. There are no differences in the disclosed information. 3.English website is established. Contents include: products and financial status of the Company. Information is updated regularly.	No Difference
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year? Announce and report the first, second and third quarter financial statements as well	V		1.The Company’s first, second and third quarter financial reports are reviewed and approved by the board of directors and is announced and submitted within the time limit specified by the law; only the annual financial report has not been announced and filed within two months after the end of the year. The Company will continue to improve its operating	No Difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>as the operating status of each month before the prescribed deadline?</p> <p>VIII. Does the Company have other information for better understanding the Company’s corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, stakeholder’s rights, board of directors and supervisors’ continuous education, risk management policies and measuring standards, customer policies, liability insurance for the Company’s directors and supervisors)?</p>	V		<p>structure and efficiency in hopes to be able to release the annual financial report within two months after the end of the years.</p> <p>2.Monthly revenue is announced 3 days prior to the time limit.</p> <p>1.Employee rights and care:</p> <p>(1) Prohibition of forced and child labor, employees are free to resign upon reasonable notice. Prohibition of late night tasks as well as dangerous heavy-duty jobs for employees under the age of 18.</p> <p>(2) Implemented Equal Employment Opportunity Principle, no one is discriminated based on their gender, age, marital status, race, religion, color, nationality, disability, constellation and blood type; the workforce shall be free of harassment and unlawful discriminations.</p> <p>(3) Employee salary as well as working hours that include but not limited to: minimum wage and over-time are regulated based on relevant rules and regulations made by the Labors Act, employee’s rights are ensured and protected.</p> <p>(4) The Company and the plants are designed with safety been its priority. Other then providing a safe and comfortable working environment, regular health check as well as emergency evacuation training is also given to our employees to ensure their health and safety. In compliances to the Labor Safety and Health Law, the Company has occupational personnel for occupational health and safety who on a regular base examine the safety of the working environment. Industrial Safety is always a priority in the Company’s internal audit for employee management; therefore, every employee and management team sets self-expectations for “Zero Accidents”.</p> <p>(5) The achievements of corporate goals rely on each employee’s</p>	No Difference

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
		Abstract Illustration	
			<p>effort, the relationship between employees and management teams plays an important role for the Company, as of today, there are no disputes between employees and the management team, the Company is also not expecting to encounter one in the future.</p> <p>2. Investors Relationship: (1) Under the Company’s Chinese and English website, column of investors relationship is established, information such as monthly revenue and financial statements are regularly announced. Designated personnel are available for professional and accurate information regarding the performance of the Company. (2) Contacting Email: IR@holystone.com.tw</p> <p>3. Supplier Relationship: (1) The Company operates in accordance to green supplier management as well as relationships. For further information regarding supplier management and relationships, please refer to the CSR report of the Company. (2) CSR Report Website: www.holystone.com.tw</p> <p>4. Stakeholders’ Rights: The Company has designated personnel for stakeholders’ rights protection and communication. For further information, please refer to the Company’s CSR report.</p> <p>5. Continue Education for Board of Directors and Supervisors: (1) Board of directors of the Company is equipped with knowledge that includes: business, law, finance, accounting and other relevant business management experience. (2) The Company irregularly provides the board of directors with lectures and seminars such as: the latest accounting act, security act, tax act, corporate governance risk managements and forums organized by the Stock Exchange, encouraging the board of</p>

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
		Abstract Illustration	
		<p>directors to further acquire knowledge.</p> <p>(3) Educational status is disclosed on the MOPS website. Please refer to https://mops.twse.com.tw for further information.</p> <p>6. Measurements and Policies Regarding Risk Management: Please refer to page 23 to 24 and page 112 to 113 of this Annual Report for further information.</p> <p>7. Customer Policies Implementation Status: The Company follows strictly to the following rules: (1) Holy Stone Sustainability Policy (2) ISO9001, IATF16949 Quality Control Policy (3) IECQ, QC080000 Hazardous Substance Control Policy (HSF) (4) ISO14001 Environmental Protection Policy (5) ISO45001 Occupational Health and Safety Policy Irregular customer satisfaction surveys are given to enhance customer relationships. For further information, please refer to the CSR report of the Company.</p> <p>8. Liability Insurance for the Company’s Directors: Liability insurance has been covered for directors for up to 5 million USD annually.</p> <p>9. Regulations such as: Corporate Governance Best Practice Principle, Corporate Sustainability Best Practice Principle, Code of Ethical Conducts, Rules Governing the Scope of Power of Independent Directors, Board of Directors Standard Operating Procedures, Board of Directors Performance Evaluation Method, Ethical Corporate Management Best Practice Principles, Guidelines and Procedure for Ethical Corporate Management Best Practice Principle and other relevant regulations are also established for further implementation of corporate governance.</p>	

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
<p>IX. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange’s Corporate Governance Center and the improvement plans for items yet to be improved:</p> <ol style="list-style-type: none"> 1. The Company ranked 36%~50%. 2. Every year, the Company reviews the indicators that have not yet met the standards based on the recent corporate governance evaluation results and the latest corporate governance evaluation indicators released in the most recent year, arranges improvement schedules, and has completed the improvements of most of the projects. 3. The improved situation, and the prioritization of the strengthening matters and measurements that shall be taken for those that have not yet improved: <ol style="list-style-type: none"> (1) Diversification of the Board of Directors (2) There is currently no female member in the board’s meeting, in the next re-election, female candidates will be prioritized. Chairman concurrently serve as the General Manager (3) In the future it is planned to conduct trainings for the selection of suitable candidates for the position of general manager, or alternatively, increase the number of independent directors and to make sure that no more than half of the members concurrently serve as employee or managers of the Company, this is to enhance the function of the board of directors and exert its supervisory function. (3) Continue to strengthen the structure and operation plan of the board of directors, promote the implementation of sustainable development of the enterprise, and strive to improve the transparency of information. 	Abstract Illustration		

Note: whether the implementation status is checked yes or no, details shall be given in the illustration section.

Stakeholders Concerns and Channels of Communication

Stakeholder	Concerned Issues	Communication Channels
Employees	<ol style="list-style-type: none"> 1. Company Performances 2. Employee Benefits 3. Labor Relations 	<ol style="list-style-type: none"> 1. Holy Stone Internal Website (irregularly) 2. Complaints hotline and E-Mails (permanent) 3. Internal Meetings Within Departments (every month or quarter) 4. E-mail Contacts on Company's Website (permanent)
Customers	<ol style="list-style-type: none"> 1. Green Products 2. Environmental Issues and Responsibilities 3. Labor Relations 	<ol style="list-style-type: none"> 1. Customer Satisfaction Survey (every year) 2. Customer Visits and Audits (every year) 3. Websites, Phone Calls or E-mail (irregularly) 4. E-mail Contacts on Company's Website (permanent)
Suppliers	<ol style="list-style-type: none"> 1. Disclosure on Conflict Minerals 2. Environmental Management 3. Hazardous Substance Management 	<ol style="list-style-type: none"> 1. Suppliers Visits and Audits (irregularly) 2. E-mail Contacts on Company's Website (permanent) 3. Websites, Phone Calls or E-mail (irregularly)
Shareholders	<ol style="list-style-type: none"> 1. Company Performance 2. Corporate Governance 3. Investment Plan 	<ol style="list-style-type: none"> 1.E-mail Contacts on Company's Website (permanent) 2.TWSE MOPS (irregularly) 3.Annual Report and Shareholders' Meeting (yearly) 4.Institutional Shareholders' Visits (once a year)
Government	<ol style="list-style-type: none"> 1. Corporate Governance 2. Environmental Issues and Responsibilities 3. Labor Relations 	<ol style="list-style-type: none"> 1. E-mail Contacts on Company's Website (permanent) 2. Participate in Seminars, Workshops and Forums (irregularly) 3. Government Documents, Phone Calls and E-mails (irregularly)
Community	<ol style="list-style-type: none"> 1. Social Involvement 2. Corporate Social Responsibilities 	<ol style="list-style-type: none"> 1. E-mail Contacts on Company's Website (permanent) 2. Community Event Engagement (irregularly)
Consumer	<ol style="list-style-type: none"> 1. Green Products 2. Environmental Issues and Responsibilities 	<ol style="list-style-type: none"> 1. E-mail Contacts on Company's Website (permanent) 2. Websites, Phone Calls or E-mail (irregularly)
Media	<ol style="list-style-type: none"> 1. Company Performance 2. Corporate Social Responsibilities 	<ol style="list-style-type: none"> 1. E-mail Contacts on Company's Website (permanent) 2. Publish Press Release (irregularly) 3. Websites, Phone Calls or E-mail (irregularly)
Directors and Supervisors	<ol style="list-style-type: none"> 1. Company Performance 2. Corporate Governance 	<ol style="list-style-type: none"> 1. Periodical Board Meetings (regularly / irregularly) 2. Websites, Phone Calls or E-mail (irregularly)
NGO	<ol style="list-style-type: none"> 1. Environmental Issues and Responsibilities 2. Social Involvement 	<ol style="list-style-type: none"> 1. E-mail Contacts on Company's Website (permanent) 2. External Seminars and Workshops Participation (irregularly) 3. Company E-mail (irregularly) 4. Holy Stone Foundation (irregularly)

4. Disclose if any, on remuneration committee's formation, responsibilities and operational status

A. Formation and Responsibilities

The purpose of the remuneration committee is to assist the board of directors in evaluating and approving the remuneration levels of the Company's directors and managers. The committees submit suggestions to the board of directors for discussion, so as to combine remuneration with individual and Company's operational performance to achieve the rationality and attractiveness of remunerations to retain outstanding candidates and employees. The followings are proposed to the board of directors by the remuneration committee:

- (1) Propose amendments by regularly review the Charter of Remuneration Committee.
- (2) Stipulates and regularly reviews the policies, institutions, standards and structures of the annual and long-term performance goals and remunerations for directors, supervisors and managers.
- (3) Regularly reviews the achievement of performance goals of the directors, supervisors and managers; stipulates individual remuneration content and amount accordingly.

Information on Members of the Remuneration Committee

Title (Note1)	Qualification Name	Professional Qualification and Experience (Note2)	Independency (Note3)	Numbers of concurrently serving as member of the remuneration committee in other publically listed companies
Independent Director (chairman)	Ken-Yi Cheng	Please refer to page 10 to 12 of this Annual Report for further information on professional qualifications and experiences and independency of directors and supervisors.		1
Independent Director	Nai-Hua Wu			1
Independent Director	Chu-Yang Chien			None

Note1: Please indicate professional qualification, experiences and independency of the member of the remuneration committee, if the member of the remuneration committee is an independent director, indicate in the note section. Indicate in the title if the member is the chairman of the committee.

Note2: Professional Qualifications and Experiences: state professional qualifications and experiences of individual member of the remuneration committee

Note3: Independency: state the independency of the members of the remuneration committee; including but not limited to the person, spouse, relatives within the second degree relatives, serves as directors, supervisors or employees of the Company or other related enterprise; the person, spouse, relatives within second degree of relative (or in name of others) hold the shares (and the ratio of the shares) of the Company whether he or she is a director or supervisor of the Company that has a specific relationship with the Company (refer to Article6, Paragraph1, Subparagraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); amount of remuneration for providing business, legal, financial, accounting and other services to the Company or its affiliates in the last two years

B. Operational Status

Operational Status of the Remuneration Committee

- (1) There are currently three members in the Remuneration Committee
 (2) Term of the Committee: 2021.08.02~2024.07.20. 2 (A) meetings were launched in 2021, attendance of the members are as follows:

Title	Name	Actual Attendance (B)	Delegated Attendance	Actual Attendance Rate(%) (B/A)	Note
Chairman	Ken-Yi Cheng	2	0	100	-
Member	Nai-Hua Wu	2	0	100	-
Member	Chu-Yang Chien	2	0	100	-
Other things to be Noted:					
1. If the advice brought by the remuneration committee was not approved by the board of directors, date of the board's meeting, content, resolutions, and the handling of the opinions by the board of directors should be listed (if the formulated remuneration is better than that of the remuneration committees, reasons should be disclosed): None					
2. State the date of the meeting, the content of the resolution, opinion of all members and handling of all the opinions if there are any objections and or reservation by the member that has a record or written statement: None					
3. Recent meetings of the Remuneration Committee; contents, resolutions and the handling of the opinions of the Remuneration Committee by the Company:					
Meeting Date	Content	Resolution	Handling of the opinions of the Remuneration Committee		
5 th Remuneration Committee 1 st Meeting 2021.09.01	Remuneration for the Directors, Supervisors and Managers 1. Revise performance evaluation and remuneration's policy, standard and structures. 2. Evaluates the performance achievement and revise the content of the remuneration for 2021.	Other than the members who need to avoid conflict of interests and stated their reasons for the conflict of interest, and refraining from participating in the discussion and voting, the proposal was approved by the chairman or the acting chairman without any objection from the remaining members presented in the meeting.	To the board of directors, each director explains their own conflict of interest and avoids discussing and voting. The proposal was approved by the chairman or the acting chairman without any objections from the remaining members presented in the meeting.		
5 th Remuneration Committee 2 nd Meeting 2021.12.15	Remunerations for the Directors, Supervisors and Managers 1. Review performance goal completion status for 2021 and the content of remuneration 2. Stipulate performance goal and remuneration advise for 2022	Other than the members who have to avoid conflict of interests and stated their reasons for the conflict of interest, and refraining from participating in the discussion and voting, the proposal was approved by the chairman or the acting chairman without any objection from the remaining members presented in the meeting.	To the board of directors, each director explains their own conflict of interest and avoids discussing and voting. The proposal was approved by the chairman or the acting chairman without any objections from the remaining members presented in the meeting.		

Note:

- (1) If a member of the remuneration committee resigned before the end of the year, the date of resignation shall be indicated in the column. The actual attendance rate (%) shall be calculated based on the number of meetings of the remuneration committee, and the actual number of attendance during the term of office
- (2) Before the end of the year, if there is a re-election of the remuneration committee, the new and old members of the remuneration committee shall be filled in, and the remarks column should indicate the old, new or re-appointed and the date of re-election. The actual attendance rate (%) is calculated based on the number of meetings held by the remuneration committee and the number of actual attendance during the term of office

5. Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons

Evaluation Item	Implement Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
I. Does the Company establish and disclose the Governance Structure to Promote Sustainable Development with designated management-positioned personnel in charge?	V	No	Abstract Illustration 1. The Company stipulated the corporate sustainable development committee to promote sustainable development. 2. Chairman of the corporate sustainable development committee is the chairman of the Company, manager of the general manager’s office is in charge of relevant activities, acting as the management representative of the committee; different groups were established: the corporate governance group, the friendly workplace group, the environmental protection group, and the supply chain management group. Each group sets up goals and implement in accordance to the Company’s corporate sustainability policy. Implementation status is reported to the management representative once every year; management representative sets the plans and goals for sustainability development and monitors its implementation; results are reported to the chairman and the board of directors. 3. Annual implementation status, reviews and goals for the next year is reported to the board meetings by the management representative on 2022.03.09.
II. Does the Company conducts risk assessments on environmental, social and corporate governance issues related to the company’s operations in accordance with the materiality principle and formulates relevant risk management policies or strategies?	V	No	The Company sets departments respectively for risk managements. 1. Environment: the Company devotes into creating a green enterprise and follows strictly to the ISO9001, IATF16949 Quality Policies, IECQ, QC08000 Restricted Substance Management System and ISO14001 Environmental Protection Policies to prevent environmental damage. 2. Social: to prevent internal and external damage to the Company, the Company irregularly enhances the security systems of the computer, ensuring the safety of accounting and operational data. Recently, the world has been affected by the covid pandemic, in order to prevents of employees working outside, the Company has already completed the

Evaluation Item	Implement Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
		Abstract Illustration	
		<p>deployment of the VPN environment for work-from-home environment; at the same time, authorizations are closely monitored, ensuring the operation of the Company stays normal, and the external environmental risks can be reduce to its greatest.</p> <p>To protect the employees from the possible epidemic risk, the Company sets up the Work-From-Home VPN system to fully prepared for any challenges that could possibly be encountered.</p> <p>3. Corporate Governance: The Company’s chairman concurrently runs for general manager, in the future, trainings will be given for suitable candidates. Increase seats of the independent directors as well as maintain the “half of the members of the board of directors not concurrently holding the position of employee of management position of the Company.” to ensure the supervisory roles of the board of directors.</p>	
III. Environmental Issues			
(1). Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		No Difference
(2). Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		No Difference

Evaluation Item	Implement Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
		Abstract Illustration	
		In 2021, the amount of recycled waste solvent is 120.774 tons, which increased by 10.40% comparing to 2020. The abovementioned goal shall be included in 2022 environmental protection plans for the Company, in hopes to decrease the impact to the environment by the production of wastes.	
(3). Does the Company assess the potential risks and opportunities of climate change on its present and future operation and take measures to respond to climate-related issues?	V		No Difference

Evaluation Item	Implement Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
		Abstract Illustration	
		<p>Potential Risks and Chances by Climate Change:</p> <p>Actual Risks: Due to climate change, the probability of severe rain and water shortage will increase, which results in potential damage or interruption of operational facilities. The countermeasures are to check the vulnerability of the facilities, and evaluate the groundwater backup strategies such as elevate the facilities, procuring water retaining facilities and adding additional pumps.</p> <p>Climate Change and Chances: Carbon fee charging system is set to be inclusive in the revision of the Greenhouse Gas Reduction and Management Act. Respond to the impact in advance, improve energy resources and production efficiency; implement environmental protection activities such as energy saving, carbon reduction and electricity saving; invest in various pollution prevention and control equipment to ensure the impact of climate change on the Company.</p>	
(4). Does the Company conduct assessment on greenhouse gas, water consumption and waste for the last two years, and establish company strategies for energy conservation and carbon reduction, greenhouse gas reduction, water saving and waste management?	V		No Difference

Evaluation Item	Implement Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons				
	Yes	No					
Abstract Illustration							
				(1)	Greenhouse Gas:		
					Year	2020	2021
					Item		
					Scope1	328.91	338.13
					Scope2	22,553.27	23,607.09
					Total Emission Equivalent (mt CO2e/Year)	22,882.18	23,945.22
				(2)	Water Usage:		
					Year	2020	2021
					Item		
	Water Consumption (degree)	288,398.00	255,445.00				
(3)	Waste:						
	Year	2020	2021				
	Item						
	Hazardous Waste (mt)	338.07	374.74				
	General Waste (mt) (including reuse with announcement)	662.92	739.32				
	<p>1. Reduction Goal: Recycled waste solvent of 2021 is 120.774 tons, which increased by 10.40% comparing to 2020; recycling waste solvents will always act as a sustainable environmental protection plan, indirectly reduce equipment power consumption and greenhouse gas emission.</p>						

Evaluation Item	Implement Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
		Abstract Illustration	
			<p>The improvement plan of the wastewater discharging water standard from 1.0mg/L to 0.7mg/L was completed in 2021, which has effectively reduced the environmental load. In terms of water saving, RO wastewater recycling plan is still on-going in 2021; the backwashing time of the carbon tower is changed from once a day to the time of collecting water for 2 days and then backwashing, reduction is predicted to be 3.2048tons/year.</p> <p>In addition, the Company implemented the Government Electronic Document Exchange Mechanism since 2013, making sending and receiving documents faster and easier, saving document delivery time, paperwork and postage costs, greatly reduced paper consumption and other resources</p> <p>Please refer to the Company’s CSR report for further information regarding the summary and analysis of waste and greenhouse gas emission.</p> <p>Budget and Plan:</p> <p>2. Continue to plan to reduce the cleaning ratio of recovered solvents, and Is expected to invest another NT\$3.5million to procure waste solvent recycling facilities in 2011 to reduce solvent usage, reduce raw material consumption and waste output. In response to the expansion of the capacity of the new plant, another NT\$65million will be invested to procure waste gas treatment facility to increase the volatile organic compound removal efficiency from 80% to 90%; reducing environmental load and improving environmental quality.</p> <p>3. Carbon Reduction Result: The Company aims to continuously building a green enterprise, all employees participates in improving production efficiency, reducing the</p>

Evaluation Item	Implement Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
		Abstract Illustration	
		<p>consumption of raw materials recycling waste solvents, and recycling RO wastewater etc to effectively achieve direct or indirect energy saving and carbon reduction.</p> <p>The greenhouse gas emission reduction target set by the company is “2024 reduction of greenhouse gas per million products decreased by 10% in comparison to the base year (2019)”; the actual accomplishment result of 2021 is 1.21mt CO2/million products, reduced by 28.4% comparing to 2019. We will continue to carry out plans to reduce the consumption rate of recycled solvent cleaning.</p> <p>Greenhouse Gas Emission Reduction Management Policy Plan include:</p> <ol style="list-style-type: none"> (1) Capacity optimization to increase production unit capacity (2) Procurement of environmental and energy saving facilities (3) Replacement of energy saving lightening systems (4) Establish green power facilities for self-produce-self-use (5) Continuing to promote the recycling of energy resources (6) Energy Saving Trainings and Inspections 	
IV. Social Issues	V		
(1). Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?			No Difference

Evaluation Item	Implement Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
		Abstract Illustration	
		Concerning Discrimination in Respect of Employment and Occupation I, and 1989 United Nation: Convention on the Rights of the Child XXXII. In 2021, a total of 624 people attended relevant trainings with the total of 370 training hours.	
(2). Does the Company formulate and implement reasonable employee benefits measures (including remuneration, vacation and other benefits), and appropriately reflect operating performance or results in employee compensation?	V		1. The Company stipulates reasonable systems and policies for employee compensation and benefits. Company dividends are also given to the employees in accordance with both the company’s performances and employees’ performance; this is to share the operational results of the Company with our employees. Employees compensation are distributed in accordance to the Company’s Articles of Association, and is calculated on no less than 7% of the Company’s profit of the current year. Compensation adjustment of 2021 is 2%~4%. 2. The Company offers regulated holidays such as: marriage leave, funeral leave, maternity leave, paternity leave, family care leave, special leave, physiological leave, sickness leave, occupational sickness leave and personal leaves etc.; employees are free to take relevant leaves. 3. The Company offers regular health check-ups, childcare grants, hands out cash gifts and vouchers for holidays, birthdays, weddings, childbirths, hospitalizes as well as subsidies for employee trips, social club activities and special discount stores. The Company also launches various art activities and charity activities to improve and enhance employee cohesion. 4. In order to fulfill a sustainable and inclusive economic growth, the Company provides “equal pay for equal work” and equal opportunities for promotion regardless of employees’ gender. Average female employee ratio is 56%; average female senior manager ratio is 46.9% for 2021.
(3). Does the Company provide a healthy and	V		1. To ensure the health and safety of the employees, the Company launches
			No Difference
			No

Evaluation Item	Implement Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons and Difference
	Yes	No	
safe working environment and organize training on health and safety for its employees on a regular basis?			occupational health and safety trainings and emergency response trainings for employees including the junior employees. Forming emergency respond teams in accordance to the functionality of the unit. Launches regular health checks for the employees and provide them with health promoting seminars to enhance employees’ acknowledgement of occupational health and safety. Relevant trainings were launched; total participants are 725 people with a total of 1,033 training hours in 2021. 2. The Company have obtained and maintained the certification of the QC080000 Hazardous Substance Process Management System on 2020.05.14. 3. The Company applied for the ISO45001 Occupational Health and Safety Management System on Nov 2021, and has obtained the certification on 2022.01.06. 4. In 2021, a total of 5 cases of incident with 5 people involved, taking 0.5% of the total employees occurred. Occupational disaster accidents are jointly investigated by the unit supervisor, labor representatives and occupational safety personnel. After analyzing the case of the accident, risk control is used to prevent the recurrence of disasters through hazard identification.
(4). Does the Company provide its employees with career development and training sessions?	V		The Company stipulates the “Talent Training Plan” to enhance the knowledge and skills of employees to perform their duties. Including managers, employees and junior staffs are all involved in the training program, training topics include: management training and professional training. Trainings are given in accordance to: the nature of department’s work; special expertise; professional trainings; regulations; decree (products or environmental); environmentally controlled substances; customers’ requested trainings and specific qualification personnel trainings.
(5). Does the Company complies with relevant	V		Products and services of the Company follow strictly to relevant domestic
			No Difference
			No Difference

Evaluation Item	Implement Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons and Difference
	Yes	No	
<p>regulations and international standards on the health and safety of customers, customer privacy, marketing and labeling of products and services, and formulates relevant policies and procedures to protect consumer rights and handling complaints?</p> <p>(6). Does the Company formulated and implement supplier management policy, requiring suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights?</p>	Yes	No	<p>Abstract Illustration</p> <p>and global laws and regulations. ISO9001, ISO14001, ISO45001, IATF16949, IECQ, QC080000 and RBA certifications were obtained.</p> <p>There are huge diversities in the application of the products of our company; in order to accelerate our compliance with international regulations; Social Responsibility Supplier Management Procedure as well as Management System for the Disengagement of Conflict Minerals are built in accordance to the RBA Code of Conduct 7.0 and supplier coaching. Through supplier audit coaching, performance evaluation and training, the company implanted sustainability requirements into the supply chain management.</p> <p>1. Apply Supplier Assessment based on Corporate Social Responsibility criteria: (1) Raw Material Suppliers: Over 80% achieved ISO9001 Quality Management Certificate. (2) All suppliers promised and guaranteed their materials meet the Restricted Environmental Hazardous Substances Operating Procedures. (3) 260 suppliers have signed, promised and guaranteed to follow the RBA (Responsible Business Alliance) standards, ensuring labor rights, environmental and ethical regulations that are applicable are been appropriately followed.</p> <p>2. Counseling based on characteristics and risk classification of the supplier: (1) According to Social Responsibility Supplier Managing Procedures, 71 of suppliers have finished self-assessment; 34 of them have finished re-evaluation.</p>

Evaluation Item	Implement Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
		Abstract Illustration	
		<p>3. Advocate and communicate with suppliers periodically: (1) Advocated and promised Holy Stone CSR Policy to 260 suppliers. (2) Managed all suppliers based on Conflict-Free Minerals Managing Procedures.</p> <p>4. Responsible Procurement: Set up policies and promises to fairly ensure that sources and sales of productions that contain tantalum, tin, tungsten and gold in the manufactured products have already conducted due diligence; ensuring the sources are compliance with Organization for Economic Cooperation and Development (OECD) Due Diligence; Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas or other equally recognized due diligence method.</p> <p>To maintain strict control on raw materials, before purchasing a new material, suppliers are asked to enter the green approval process with our IQC unit for test result confirmation. The process will ensure the suppliers understand the Company’s requirements on environmental substances and make sure the materials supplied are in line with these requirements.</p>	
V. Does the Company compile corporate social responsibility reports or reports that disclose the Company’s non-financial information based on international CSR compiling standard or guidelines? Does the report accredited from accreditation agency or third-party verification organization?		V	No Significant Different

Evaluation Item	Implement Status		Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	
<p>VI. If the Company makes its own sustainable development principles according to the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies, please state the differences: The Company has stipulated Corporate Sustainability Principle as well as regulation stated by the Responsible Business Alliance (RBA) to implement corporate social responsibilities, the function of so has no significant difference compare to the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies.</p> <p>VII. Any other important information that helps to understand the conduct of corporate social responsibility: Complete the Responsible Business Alliance (RBA) external audit on February 2021.</p>	Yes	No	Abstract Illustration

6. Difference from Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and reasons

Evaluation Item	Implementation Status		Difference from Ethical Corporate Management Best Practice Principles for TWSE/GTS M-Listed Companies and reasons
	Yes	No	
I. Establishment of Ethical Corporate Management Policies and Programs			
(1). Does the Company formulate ethical corporate management policy that approved by the board of directors, and declares its policies and procedures in its guidelines and external documents, as well as the commitment from its board and top executive to implement the policies?	V		<p>1. In order to implement and develop corporate integrity management culture, the Company has stipulated the Ethical Corporate Management Best Practice Principles and has been passed by the board of directors on 2015.03.18. The policy has been explained in detail in the CSR Report of the Company in both English and Chinese. The board of directors of the Company as well as top management executives operates the Company in accordance with the integrity policies to achieve sustainable development.</p> <p>2. From the year of 2008, the Company compiled its CSR report as a reference for the stakeholders about the implementation status on sustainable development that the Company has been working on.</p> <p>3. To better allow directors and officers to act ethically, the Company established the Code of Ethics for Directors and Executive Officers.</p> <p>4. The Company has set up Rules and Procedures of Board of Directors Meeting, Operating Procedures for Handling Internal Material Information and Ethical Corporate Management Best-Practice Principles for refusal of conflict of interest and information disclosure system. The Accounting System, Internal Control System and other methods are stipulated for the directors to better fulfill ethical management.</p>
(2). Has the Company established an evaluation mechanism to assess the unethical conducts risk, and regularly analyzes and evaluates business activities with high potential unethical conducts, and formulates a precaution plan which at least covered listed activities stated in Article 2, Paragraph 7 of the Ethical	V		<p>In Guidelines and Procedure for Ethical Corporate Management Best Practice Principles, the Company specifically stated the prohibition of: bribery, political bribery, improper charity donations and sponsorships, as well as business conducts of providing and or receiving unreasonable gifts, hospitality or improper benefits. Employees are also prohibited from: direct and or indirect offer, promise, request or accept any form of illegitimate benefits that includes but not limited to kickbacks, commissions, facilitating payments; offer and or accept illegitimate benefits to and or from customers, agents, suppliers, public</p>

Evaluation Item	Implementation Status			Difference from Ethical Corporate Management Best Practice Principles for TWSE/GTS M-Listed Companies and reasons
	Yes	No	Description	
Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies?			servants and other stakeholders through other channels.	
(3). Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies, and review the policy regularly?	V		The Company stipulates the Guidelines and Procedure for Ethical Corporate Management Best Practice Principles that specifically stated the regulations, reporting channels as well as punishments to prevent unethical actions taken. The Company also has Accounting System and Internal Control System for the internal auditors to better regulates and monitors the ethical operation of the Company.	No Difference
II. Fulfill Operations Integrity Policy				
(1). Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		In addition to signing corporate sustainability commitments with suppliers, the Company also signs anti-bribery commitments with customers.	No Difference
(2). Does the Company establish an exclusive dedicated unit supervised by the Board in charge of corporate integrity, and regularly (at least once a year) report to the board of directors about the implementation of ethical corporate management policy and the plan against unethical conducts?	V		General manager's office is the designated unit for implementing and promoting ethic and integrity business acts. General manager's office regularly reports to management level executives for the operational status of integrity management. The promotional status of integrity management of 2021 is reported to the board of directors in the board of directors meeting on 2022.03.09.	No Difference
(3). Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels and implement it?	V		1. The Company has established policies for recusal of directors in the event where conflict of interest occurs and recorded in Ethical Corporate Management Best Practice Principles, Rules and Procedures for Board Meeting, Code of Ethical Conducts for Directors, Supervisors and Executive Officers, Procedure for Handling Material Information and Guidelines and Procedure for Ethical Corporate Management Best Practice Principle which	No Difference

Evaluation Item	Implementation Status		Difference from Ethical Corporate Management Best Practice Principles for TWSE/GTS M-Listed Companies and reasons
	Yes	No	
(4). Has the Company established effective system for both accounting and internal control to facilitate ethical corporate management, and audit the implementation of policies of preventing unethical conduct, either by internal auditors or CPAs on a regular basis?	V		<p>specifies the prevention of conflict of interests.</p> <p>2. Employees can report such matters during regular departmental meetings and through email or internal communication system. The Company encourages employees to communicate with management team and directors directly.</p> <p>1. To ensure integrity management, the Company has stipulated the Accounting System and the Internal Control System for better control and monitoring the implementation of integrity management.</p> <p>2. Internal auditors regularly evaluate risks on a yearly base, putting into considerations for risks that have high chances of affecting the Company. Audit evaluation plans are given to the board of directors for further use in self-evaluation as well as Internal Control System.</p> <p>3. During quarter financial report auditing, accountants also audits in accordance to the Procedure for Handling Material Information. Through the collaboration between the internal auditor, departmental executives and the accountants, the Company ensures the implementation status of the corporate integrity management.</p>
(5). Does the Company regularly hold internal and external educational trainings on operational integrity?	V		<p>The Company carries out regular trainings in hopes for better awareness on operational integrities that includes but not only limited to: trainings on ethical rules, conflict of interests, business morals and all other related subjects. 2021, internal trainings on relevant topics were provided, training hour totaled 317; participants include management personnel, sales personnel and logistic related supervisors, totaled 668 People.</p>
III. Report System Operating Status			
(1). Has the Company set specific report and reward system to facilitate the report channel and assign appropriate specialist accepting to spot the reported object?	V		<p>1. The Company has stipulated, in accordance with the Article 23 of Ethical Corporate Management Best Practice Principles and Article 21 of Guidelines and Procedures for Ethical Corporate Management Best Practice Principle, the specific award and punishment system and channels. Integrity management is also lectured to the employees.</p>

Evaluation Item	Implementation Status		Difference from Ethical Corporate Management Best Practice Principles for TWSE/GTS M-Listed Companies and reasons
	Yes	No	
(2). Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases and measures for follow-up?	V		<p>2. External stakeholders can report through the Company's website under the column of stakeholder communication.</p> <p>3. No relevant matters were found in this current fiscal year.</p> <p>1. In accordance to the Article 23 of Ethical Corporate Management Best Practice Principles and Article 21 of Guidelines and Procedures for Ethical Corporate Management Best Practice Principle, reported material are been documented as a record, the identification of the informer should be kept confidential.</p> <p>2. Reported Matters are Verified to be True:</p> <p>(1) Responsible department should review the Internal Control System, and propose improvement plans to prevent similar matters from recurrence.</p> <p>(2) Responsible department should report: reported matters, methods of handling and improvement, to the board of directors.</p> <p>(3) If significant violations and or the Company suffer from significant damage, the responsible department should immediately put into reports, and inform the independent directors and supervisors with hard copy.</p> <p>3. No relevant matters were found in this current fiscal year.</p>
(3). Has the Company set measures to protect whistleblowers not to suffer for which he or she reported?	V		<p>1. In accordance to the Article 23 of Ethical Corporate Management Best Practice Principles and Article 21 of Guidelines and Procedures for Ethical Corporate Management Best Practice Principle, the identification of the informer should be kept confidential, and no discrimination or any unfair and or unequal treatment should be done or given to the informer.</p> <p>2. No relevant matters were found in this current fiscal year.</p>
IV. Enhance Information Disclosure			
(1). Does the Company disclose the information of implementation and results of integrity management on its	V		<p>The Company's Ethical Corporate Management Best Practice Principles and the results of our implementation have been published on Company's annual report, CSR report, Chinese and English website as well as the MOPS website.</p>

Evaluation Item	Implementation Status		Difference from Ethical Corporate Management Best Practice Principles for TWSE/GTS M-Listed Companies and reasons
	Yes	No	
website and the MOPS?			<p>Integrity and ethics are the two core value of the Company as well as the regulations that all employees should strictly follows.</p> <p>The Company will continue to uphold integrity management, trying our hardest to fulfill promises given to the customer, supplier, employees, shareholders and the society.</p>
<p>V. If the Company develops its own Integrity Operation Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences:</p> <p>The stipulated Ethical Corporate Management Best Practice Principles and Procedures for Ethical Corporate Management Best Practice Principle by the Company for the development of integrity management, have no significant difference from the Integrity Operation Best Practice Principles for TWSE/GTSM-Listed Companies.</p> <p>VI. Other important information for better understanding of the integrity operation (such as review and revision of the regulations on integrity operation):</p> <ol style="list-style-type: none"> In accordance to the Ethical Corporate Management Best Practice Principles, the Company strictly follows: Company Law, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act and Public Officer Conflict of Interest Avoidance Act and other relevant regulations. Procedures for Ethical Management and Guidelines for Conduct are also stipulated to regulate the board of directors, the management executives and other responsible employees. The Procedures for Handling Material Information has prohibited any reveal or disclose by any personnel, of important and or unpublished material information about the Company. If any directors or legal person represents other interest party or agenda, they need to state their relationships and important aspects with the interest party which they are a member of in the respective meeting. If those parties are likely to affect the Company's interest, then they will not be allowed to participate in discussion or vote on any agenda. Others <ol style="list-style-type: none"> Customer and Suppliers: Business activities with up, mid and down-stream suppliers are followed with voluntary, equality fairness and good faith. Employees: Trainings are given irregularly on the Company's integrity management. Investing Shareholders: Periodically renew and update on Company's operational status and information on the Company's English and Chinese website as well as the MOPS website. Internal Management: Stipulates appropriate regulation, procedures, permissions and internal audit regulations. Periodically evaluated the validity of these procedures and regulations. The Company pays close attention to any changes made domestically and internationally, and encourages the board of directors, management executives and 			

Evaluation Item	Implementation Status		Description	Difference from Ethical Corporate Management Best Practice Principles for TWSE/GTS M-Listed Companies and reasons
	Yes	No		
employees to raise improvement opinions in order to better improve the Company's integrity management and implementation of the integrity management.				

7. If corporate governance and relevant policies are available to the public, the inquiry methods should be disclosed
1. The Company has stipulated the following policies:
 - (1) Articles of Association
 - (2) Rules and Procedure for Annual General Meeting
 - (3) Director Election Method
 - (4) Guidelines for Handling Acquisition and Disposal of Assets
 - (5) Guidelines for Lending of Capital
 - (6) Guidelines for Endorsements and Guarantees
 - (7) Rules and Procedure for Board Meeting
 - (8) Charter of Remuneration Committee
 - (9) Charter of Audit Committee
 - (10) Board of Directors Performance Evaluation Method
 - (11) Rules Governing the Scope of Powers of Independent Directors
 - (12) Codes of Ethical Conduct
 - (13) Board of Directors Standard Operating Procedures
 - (14) CSR Best Practice Principles
 - (15) Corporate Governance Best Practice Principles
 - (16) Ethical Corporate Management Best Practice Principles
 - (17) Guideline and Procedure for Ethical Corporate Management Best Practice Principles
 - (18) Procedures for Handling Material Information
 2. Inquiry website: www.holystone.com.tw
8. Other information that would increase the understanding of the corporate governance operation should be disclosed:
The Company has published its CSR Report since 2008, and is readily available at: www.holystone.com.tw

9. Internal Control System Execution Status

(1) Statement of Internal Control System

Holy Stone Enterprise Co., Ltd.
Statement of Internal Control System

2022.03.09

Based on the findings from self-assessment, Holy Stone states the following with regard to its internal control system for 2021:

1. Holy Stone is fully aware that establishing, operating and maintaining an internal control system is the responsibility of its Board of Directors and managers. Holy Stone has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, immediacy and transparency of financial reporting and compliance with applicable laws and regulations.
2. An ICS (internal control system) has inherent limitations. No matter how perfectly designed, the ICS can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an ICS may be subject to changes of environment or other circumstances. Nevertheless, the ICS of Holy Stone contains self-monitor mechanisms, and Holy Stone takes corrective actions whenever a deficiency is identified.
3. Holy Stone evaluates the design and operating effectiveness of its ICS based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Public Companies (herein below, "the Regulations"). The criteria adopted by the Regulations identify five components of ICS based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items; please refer to the Regulation for details.
4. Holy Stone has evaluated the design and operating effectiveness of its ICS according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Holy Stone believes that during the year 2021, its ICS (including its supervision and management of subsidiaries), as well as its internal control to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting and compliance with applicable law and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This statement will be an integral part of Holy Stone's Annual Report and Prospectus, and will be made public. Any falsehood, concealment or other illegality in the content made public will entail liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This statement has been passed by the Board of Directors in the meeting held on March 9th, 2022, with zero out of nine attending directors expressing dissenting opinion, and the remainder all affirming the content of this Statement.

Holy Stone Enterprise Co., Ltd.

Chairman of the Board of Directors:

Jing-Rong Tang

General Manager:

(2) The Disclosure of the External Auditors' Opinion on Holy Stone's Internal Control System: None

10. Lawful punishment inflicted of the Company and or disciplinary action taken by the Company against its employees for violating internal regulations in the latest year (up to the printing date of this annual report); punishments that may materially affect shareholder rights of share prices and correction and improvement procedures:

None

11. Important resolutions made by the shareholders' meeting and board of directors from the period of 2021 up to the printing date of this annual report:

None

Major resolutions of shareholders' meeting and board of directors during the most recent fiscal year and as of the printing date of this annual report:

Date	Unit	Major Resolutions	Implementation Status
2021.07.21	Shareholder's Meeting	1. Reportation of 2020 Operational Report and Financial Report 2. Earning distribution proposal of 2020 3. Revision of the Articles of Association 4. Revision of the internal regulations of the Company (1) Rules and Procedures for Annual General Meeting (2) Director Election Method (3) Guidelines for Handling Acquisition and Disposal of Assets (4) Guidelines for Lending of Capitals (5) Guidelines for Endorsements and Guarantees 5. Suspension of Rules Governing the Scope of Powers of Supervisors 6. Election of the members of the board of directors 7. Release the directors' non-compete behavior	1. All proposals were approved by the previous board of directors through voting, election was completed according to the list of director candidates 2. Item2: distribution of surplus cash dividend of NT\$8. The board of directors has set 2021.07.28 as the base date for dividend distribution; dividends were fully distributed on 2021.08.18. 3. Item5: completed by the election of AGM of 2021; Item3 and 5 were both approved and recorded by the Ministry of Economic Affairs, with NO. 11001164650, dated 2021.09.10. 4. Other items are implemented in accordance with the resolution

Date	Unit	Major Resolutions	Implementation Status
2021.03.11	BOD Meeting	<ol style="list-style-type: none"> 1. Distribution of remuneration for employees, directors and supervisors for 2020 2. Reportation of business report and financial report for 2020 3. 2020 Annual earnings distribution proposal 4. 2020 Cash dividends issued on annual earnings 5. Revision of the Company's internal regulations <ol style="list-style-type: none"> (1) Code of Ethics for Directors, Supervisors and Executive Officers (2) Ethical Corporate Management Best Practice Principles 6. Revision on the Articles of Association 7. Revision of the internal regulations of the Company <ol style="list-style-type: none"> (1) Rules and Procedure for Annual General Meeting (2) Director Election Method (3) Guidelines for Handling Acquisition and Disposal of Assets (4) Guidelines for Lending of Capital (5) Guidelines for Endorsements and Guarantees 8. Suspension of Rules Governing the Scope of Powers of Supervisors 9. Election of the members of the 15th board of directors 10. Nomination of director candidates and qualification examination 11. Release the directors' non-compete behavior 12. Convening the Annual General Meetings of the Shareholders for 2021 13. Stipulate Charter of Audit Committee 14. Explanation of the efficiency of the Internal Control System for 2020 15. Annual operation plan for 2021 16. Adjustments in the CPA for the financial report verification 	<ol style="list-style-type: none"> 1. Approved by the chairman, attending directors and supervisors without any objections 2. Item 1~9 and 11: listed in the reportation, commitment, discussion and election; approved by the AGM and the completion of election of 2021. Approved and recorded by the Ministry of Economic Affairs, with NO. 1100116450 dated 2021.09.10, for the revision of Articles of Association and the re-election of the members of the board of directors. 3. Item 10: announced director candidates in accordance with the law and completed the re-election 4. Item 12: completed the convening of the Annual General Meeting of Shareholders for 2021 on 2021.07.21. 5. Item 13: applicable after audit committee is establish in replacement of the supervisors position during the AGM of 2021.07.21 6. Item 14: published in the Annual Report of 2020 7. Item 16: adjustment of the CPA from the 1st quarter's financial report of 2021 (internal rotation within the accounting firm) 8. Other items are implemented in accordance with the resolution

Date	Unit	Major Resolutions	Implementation Status
2021.05.03	BOD Meeting	<ol style="list-style-type: none"> 1. Procurement of business facilities from related person, Everplus Material Co., Ltd. 2. Procurement of business facilities from related person Everplus Material Co., Ltd.; the accumulated transaction amount within one year reached the materiality amount. 	<ol style="list-style-type: none"> 1. Approved by the chairman, attending directors and supervisors without any objections. 2. Item2: declaration has been announced in accordance to laws and regulations. 3. Other items are implemented in accordance with the resolution.
2021.07.02	BOD Meeting	<ol style="list-style-type: none"> 1. Alteration of the actual date and place of the 2021 AGM 2. Cash dividend and ex-dividend 	<ol style="list-style-type: none"> 1. Approved by the chairman, attending directors and supervisors without any objections. 2. Item1: completed the convening of the AGM of 2021 on 2021.07.21. 3. Item2: stipulated the dividend base date to be 2021.07.28; successfully distributed dividend on 2021.08.18.
2021.07.21	BOD Meeting	<ol style="list-style-type: none"> 1. Proposal for the election of the Chairman 	<p>Nominated Jing-Rong Tang for the position of chairman of the 15th board of directors. Approved and recorded by the Ministry of Financial Affair with NO. 11001164650, dated 2021.09.10.</p>
2021.08.02	BOD Meeting	<ol style="list-style-type: none"> 1. Operation authorization related to financial institution transactions 2. Assignment of the members of the 5th remuneration committee 3. Consolidated financial report of the second quarter of 2021 4. Revision on the Annual Operational Plan for 2021 5. Extension of guarantee period for endorsement of bank financing statement for Everplus Material Co., Ltd. 6. Revision on the Internal Control System 7. Revision on the internal audit plan for 2021 	<ol style="list-style-type: none"> 1. Approved by the chairman, attending directors and supervisors without any objections 2. Item 2 and 7: declaration has been announced in accordance to laws and regulations 3. Other items are implemented in accordance with the resolution

Date	Unit	Major Resolutions	Implementation Status
2021.11.03	BOD Meeting	<ol style="list-style-type: none"> 1. Consolidated financial report for third quarter of 2021 2. Purchase of business facilities from related personnel Everplus Material Co., Ltd. 3. Regularly reviews remuneration for directors, supervisors and managers 	<ol style="list-style-type: none"> 1. Item 1&2: after consulting by the chairman, the directors and independent directors passed the proposal without any objections; Item3: the directors each explained their own conflict of interests and avoid participating in the voting. Remaining attending directors and independent directors passed the proposal without any objections 2. Content 1 and 2: declaration has been announced in accordance to laws and regulations 3. Other items are implemented in accordance with the resolution
2021.12.15	BOD Meeting	<ol style="list-style-type: none"> 1. Evaluates the independency and suitability of the CPAs for the Annual Report of 2021 2. Revise Rules and Procedures for Board Meeting 3. Revise relevant regulations for corporate governance <ol style="list-style-type: none"> (1) Rules Governing the Scope of Powers of Independent Directors (2) Corporate Governance Best Practice Principles (3) Guidelines and Procedure for Ethical Corporate Management Best Practice Principles (4) Procedures for Handling Material Information (5) Procedures for Applying for Suspension and Resumption for Trading Operations 4. Revise relevant regulations for regulations on internal control system <ol style="list-style-type: none"> (1) Internal Control System (2) Rules for Internal Audit Implementation (3) Various management measures (4) Approval of authority 5. Stipulate internal audit plan for 2022 6. Remuneration for the directors, supervisors and managers 7. Regularly review board performance evaluation indicator 	<ol style="list-style-type: none"> 1. Item1~5 and 7: after consultation by the chairman, the directors and independent directors passed the proposal without any objection; Item6: the directors each explained their own conflict of interests and avoid participating in the voting. Remaining attending directors and independent directors passed the proposal without any objections 2. Item5: declaration has been announced in accordance to laws and regulations 3. Item7: included in the 2021 performance of the board of directors evaluation assignments and completed performance evaluations 4. Other items are implemented in accordance with the resolution

- 12.** Directors or supervisors who have different opinions to major resolutions passed by the board of directors with records or written declaration during the most recent fiscal year and as of the printing date of this annual report:
None
- 13.** During the most recent fiscal year and as of the printing date of this annual report, resignation and dismissal of the chairman of the Company, general manager, chief accounting officer, finance manager, internal audit manager, corporate governance manager and research and development manager:
None

V. Information on the Certified Public Accountant Fees**Audit Fee**

Unit: thousand of NT\$

Accounting Firm	Name of Accountant	Audit Range	Audit Fee	Non-Audit Fee	Total	Note
KPMG	Ming-Fang Hsu	2021.01.01 ~	2,680	741	3,421	Other Declarations and Deposits
	Pei-Chi Chen	2021.12.31				

Note: please specify the content of non-audit services such as tax and other financial advisory services

Note: if the Company changes accountants or accounting firms in the year, the audit period and reasons of the change should be listed separately in the note column; information such as audit and non-audit public fees paid should be listed. Non-audit public fees should be explained in note regarding its service content.

1. None-audit fee account for more than a quarter of audit fee: None
2. The amount of the audit fee paid to the accounting firm is less than the amount before the accounting firm was changed: None
3. Audit fees are reduced by more than 10% comparing to the previous year: None

VI. Information on the Replacement of Certified Public Accountants

None

VII. The Company's chairman, general manager or managers in charge of finance or accounting has been under current accounting firm or its affiliates' employment

None

VIII. Net change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Management and Shareholders with 10% Shareholdings or More

1. Status of net change in shares pledged by directors, supervisors, managers and prime shareholders during the most recent fiscal year and as of the printed date of the annual report:

Unit: Shares

Title(Note1)	Name	2021		As of 2022.03.29	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman and General Manager	Jing-Rong Tang	0 (2,000,000)	0	0	0
Director	Lin Tan Investment Co., Ltd. Representative: Chyang Lo	0	0	0	0
Director	Lin Tan Investment Co., Ltd. Representative: Chung-Yi Yang	0	0	0	0
Director and Executive Vice General Manager	Shih-Yun Shen	0 (150,000)	0	0 (10,000)	0
Director and Vice General Manager	Shao-Kuo Huang	0	0	0	0
Director	Tang-Ming Wu	0	0	0	0
Independent Director	Nai-Hua Wu	0	0	0	0
Independent Director	Ken-Yi Cheng	0	0	0	0
Independent Director	Chu-Yang Chien (Inaugurate2021.07.21)	0	0	0	0
Vice General Manager	I-Ta Lee	0	0	0	0
Vice General Manager	Hui-Bang Yeh	0	0	0	0
Chief Accounting Officer	Shu-Ying Chang	0	0	0	0
Vice General Manager	Sheng-Yao Lu (Resigned2021.12.31)	0	0	0	0

Note2: shareholders holding more than 10% of the Company's total shares shall be noted as major shareholders and should be listed separately.

Note2: if the counterparty of the equity transfer or equity pledge is a related person, the following table shall be filled.

2. Information on Share Transfer: None
3. Information on Pledged Shares: None

IX. Information on the Ten Largest Shareholders who is a Related Party or a Relative within the Second Degree of Kinship of Another

Unit: shares / % as of 2022.03.29

Name	Current Shareholding		Spouse & Children of Minor Age Shareholding		Shareholding by Nominees		Names and Relationship of Any of the Top Ten Shareholders being a Related Party as Defined in Statement of Financial Accounting Standards No. 6 or spouse or relatives within 2nd degree of relationship		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Fubon Life Insurance Co., Ltd. Representative: Ming-Hsing Tsai	7,820,000	4.95%	N/A	N/A	N/A	N/A	-	-	-
Lung Ko Investment Co., Ltd. Representative: Hsin-I Yang	7,551,470	4.78%	N/A	N/A	N/A	N/A	Lin Tan Investment Co., Ltd. Representative: Hsin-I Yang	Same person as the chairman	-
Lin Tan Investment Co., Ltd. Representative: Hsin-I Yang	7,206,753	4.56%	N/A	N/A	N/A	N/A	Lung Ko Investment Co., Ltd. Representative: Hsin-I Yang	Same person as the chairman	-
Fang Hao Investment Co., Ltd. Representative: Ching-Lin Lo	3,737,246	2.37%	N/A	N/A	N/A	N/A	-	-	-
Jing-Rong Tang	3,680,348	2.33%	367,901	0.23%	-	-	CTBC Hosting Jing-Rong Tang Trust Treasury Account	Tang-Jing Rong reserves the right to use the trust property	-
Citybank (Taiwan) Ltd. In Custody for Norges Bank	2,265,475	1.43%	N/A	N/A	N/A	N/A	-	-	-
CTBC Hosting Jing-Rong Tang Trust Treasury Account	2,000,000	1.27%	N/A	N/A	N/A	N/A	Jing-Rong Tang	Tang-Jing Rong reserves the right to use the trust property	-
Shih-Yun Shen	1,868,327	1.18%	717,162	0.45%	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1,854,793	1.17%	N/A	N/A	N/A	N/A	-	-	-
Taiwan Corporate Bank Representative: Chung-Ta Lei	1,837,000	1.16%	N/A	N/A	N/A	N/A	-	-	-

Note: First-Listed (counter) companies and emerging cabinet companies should disclose their mainland-owned ; mainland capital refers to the people, legal persons, organizations, other institutions of the Mainland area or their companies investing in the third area as stipulated in Article3 of the Mainland Area People's Investment Permitting Regulations in Taiwan.

X. The Total Number of Shares and Total Equity Stock Held in any Single Enterprise by the Company, its Directors and Supervisors, Managers and Any Companies Controlled Either Directly or Indirectly by the Company

Unit: Shares / % as of 2021.12.31

Reinvestment Business	Investment by Holy Stone		Direct and or Indirect Ownership of Directors, Supervisors and Managers		Total Investment	
	Shares	%	Shares	%	Shares	%
Holy Stone Enterprise (Hong Kong) Co., Ltd.	11,500,000	100.00%	-	-	11,500,000	100.00%
Holy Stone Holdings Co.,Ltd.	21,000,000	100.00%	-	-	21,000,000	100.00%
Uholy Investment Co., Ltd	39,000,000	100.00%	-	-	39,000,000	100.00%
Martek Co., Ltd.	5,100,000	100.00%	-	-	5,100,000	100.00%
Rong Jhan Investment Co., Ltd.	42,100,000	100.00%	-	-	42,100,000	100.00%
Holy Stone Industry India Private Limited	7,400,000	100.00%	-	-	7,400,000	100.00%

IV. Status of Fund Raising

I. Capital and Shares

1. Capitalization (1). Process of Capitalization :

Year/ Month	Issue Price (NT\$)	Authorized Capital Stock		Paid-In Capital		Remarks			Property other than cash offset by the number of shares	Others
		Shares	Amount	Shares	Amount	Source of Capital	Property other than cash offset by the number of shares	Others		
1981/6	10,000	200	2,000,000	200	2,000,000	Capital Established	None	None	None	
1984/7	10,000	300	3,000,000	300	3,000,000	Capital Increase(NT\$1 million)	None	None	None	
1987/7	10,000	2,000	20,000,000	2,000	20,000,000	Capital Increase (NT\$17 million)	None	None	None	
1990/10	10,000	2,800	28,000,000	2,800	28,000,000	Capital Increase (NT\$8 million)	None	None	None	
1995/8	10,000	6,000	60,000,000	6,000	60,000,000	Retained Earnings (NT\$3.5 million) and Capital Increase (NT\$28.5 million)	None	None	None	
1997/12	10	19,800,000	198,000,000	19,800,000	198,000,000	Retained Earnings (NT\$72 million) and Capital Increase (NT\$66 million)	None	None	None	
1998/7	10	30,000,000	300,000,000	30,000,000	300,000,000	Retained Earnings (NT\$29.7 million) and Capital Increase (NT\$72.3 million)	None	None	None	
1999/10	10	55,000,000	550,000,000	36,690,000	366,900,000	Retained Earnings (NT\$54.9million) and Additional Paid-In Capital(NT\$12 million)	None	None	None	
2000/7	10	59,500,000	595,000,000	56,174,133	561,741,330	Retained Earnings (NT\$150.17million), Additional Paid-In Capital (NT\$7.39million) and Capital Increase (NT\$37.34million) (Note1)	None	None	None	
2001/7	10	291,600,000	2,916,000,000	112,530,852	1,125,308,520	Retained Earnings (NT\$563.567million) (Note2)	None	None	None	
2002/9	10	291,600,000	2,916,000,000	127,955,555	1,279,555,550	Retained Earnings (NT\$97.99million), Additional Paid-In Capital (NT\$56.27million) (Note3)	None	None	None	
2003/6	10	291,600,000	2,916,000,000	127,978,095	1,279,780,950	Convertible Bond for Stock (NT\$0.225million) (Note4)	None	None	None	

Unit: Shares/ NT\$

Year/ Month	Issue Price (NY\$)	Authorized Capital Stock		Paid-In Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Property other than cash offset by the number of shares	Others
2003/9	10	291,600,000	2,916,000,000	140,099,983	1,400,999,830	Retained Earnings (NT\$121.22million)(Note5)	None	None
2003/9	10	291,600,000	2,916,000,000	143,520,916	1,435,209,160	Convertible Bond for Stock (NT\$34.21million)(Note4)	None	None
2003/12	10	291,600,000	2,916,000,000	147,065,726	1,470,657,260	Convertible Bond for Stock (NT\$35.45million)(Note4)	None	None
2004/3	10	291,600,000	2,916,000,000	150,700,193	1,507,001,930	Convertible Bond for Stock (NT\$36.35million)(Note4)	None	None
2004/7	10	291,600,000	2,916,000,000	181,483,126	1,814,831,260	Retained Earnings (NT\$120.68million1), Additional Paid-In Capital (NT\$59.1million) Convertible Bond for Stock (NT\$9.17million), Merge (NT\$118.88million)(Note4,7,9)	None	None
2004/9	10	291,600,000	2,916,000,000	181,577,222	1,815,772,220	Convertible Bond for Stock (NT\$0.94million)(Note4)	None	None
2004/12	10	291,600,000	2,916,000,000	182,805,842	1,828,058,420	Convertible Bond for Stock (NT\$1.04million), Exercise of Stock Options (NT\$11.25million)(Note4,6,8)	None	None
2005/03	10	291,600,000	2,916,000,000	183,202,780	1,832,027,800	Convertible Bond for Stock (NT\$1.12million), Exercise of Stock Options (NT\$2.85million)(Note4,8)	None	None
2005/06	10	291,600,000	2,916,000,000	185,987,480	1,859,874,800	Convertible Bond for Stock (NT\$15.79million), Exercise of Stock Options (NT\$12.06million)(Note4,6,8)	None	None
2005/08	10	291,600,000	2,916,000,000	200,211,772	2,002,117,720	Retained Earnings (NT\$142.24million)(Note10)	None	None
2005/09	10	291,600,000	2,916,000,000	203,447,283	2,034,472,830	Convertible Bond for Stock (NT\$24.80million), Exercise of Stock Options (NT\$7.56million)(Note4,6,8)	None	None

Year/ Month	Issue Price (NY\$)	Authorized Capital Stock		Paid-In Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Property other than cash offset by the number of shares	Others
2005/12	10	291,600,000	2,916,000,000	210,997,513	2,109,775,130	Convertible Bond for Stock (NT\$62.74million), Exercise of Stock Options (NT\$12.56million)(Note4,6,8)	None	None
2006/03	10	291,600,000	2,916,000,000	221,660,149	2,216,601,490	Convertible Bond for Stock (NT\$87.57million), Exercise of Stock Options (NT\$19.26million)(Note4,6,8)	None	None
2006/06	10	291,600,000	2,916,000,000	223,232,683	2,232,326,830	Convertible Bond for Stock (NT\$8.44million) 、 Exercise of Stock Options (NT\$7.29million)(Note4,6,8)	None	None
2006/08	10	291,600,000	2,916,000,000	240,481,019	2,404,810,190	Retained Earnings (NT\$172.48million)(Note11)	None	None
2006/09	10	291,600,000	2,916,000,000	244,923,762	2,449,237,620	Convertible Bond for Stock (NT\$30.20million), Exercise of Stock Options (NT\$14.23million)(Note4,6,8)	None	None
2006/12	10	291,600,000	2,916,000,000	245,974,190	2,459,741,900	Convertible Bond for Stock (NT\$7.04million), Exercise of Stock Options (NT\$3.46million)(Note6,8)	None	None
2007/03	10	291,600,000	2,916,000,000	249,333,118	2,493,331,180	Convertible Bond for Stock (NT\$30.69million), Exercise of Stock Options (NT\$2.9million)(Note6,8)	None	None
2007/06	10	350,000,000	3,500,000,000	250,882,162	2,508,821,620	Convertible Bond for Stock (NT\$15.30million), Exercise of Stock Options (NT\$0.2million)(Note6,8,15)	None	None
2007/08	10	350,000,000	3,500,000,000	267,232,348	2,672,323,480	Retained Earnings (NT\$139.13million) Additional Paid-In Capital (NT\$24.38million)(Note12)	None	None
2007/09	10	350,000,000	3,500,000,000	269,466,015	2,694,660,150	Convertible Bond for Stock (NT\$22.34million)(Note6)	None	None
2007/12	10	350,000,000	3,500,000,000	270,327,399	2,703,273,990	Convertible Bond for Stock (NT\$8.61million) (Note6)	None	None

Year/ Month	Issue Price (NY\$)	Authorized Capital Stock		Paid-In Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Property other than cash offset by the number of shares	Others
2008/03	10	350,000,000	3,500,000,000	270,360,006	2,703,600,060	Convertible Bond for Stock (NT\$0.33million) (Note6)	None	None
2008/06	10	350,000,000	3,500,000,000	270,395,331	2,703,953,310	Convertible Bond for Stock (NT\$0.35million) (Note6)	None	None
2008/08	10	350,000,000	3,500,000,000	278,748,849	2,787,488,490	Retained Earnings (NT\$83.54million) (Note13)	None	None
2008/09	10	350,000,000	3,500,000,000	280,645,587	2,806,455,870	Convertible Bond for Stock (NT\$18.97million) (Note6)	None	None
2009/08	10	450,000,000	4,500,000,000	287,217,454	2,872,174,540	Retained Earnings (NT\$65.72million)(Note14)	None	None
2010/08	10	450,000,000	4,500,000,000	320,217,454	3,202,174,540	Capital Increase (NT\$330million)(Note15)	None	None
2013/08	10	450,000,000	4,500,000,000	224,152,218	2,241,522,180	Capital Increase (NT\$960.65million)(Note16)	None	None
2014/05	10	450,000,000	4,500,000,000	223,548,118	2,235,481,180	Treasury Shares Write-Off (NT\$6.04million)	None	None
2015/03	10	450,000,000	4,500,000,000	223,951,267	2,239,512,670	Convertible Bond for Stock (NT\$4.03million)(Note17)	None	None
2015/07	10	450,000,000	4,500,000,000	224,215,398	2,242,153,980	Convertible Bond for Stock (NT\$2.64million)(Note17)	None	None
2017/08	10	450,000,000	4,500,000,000	156,950,779	1,569,507,790	Capital Increase (NT\$672.65million)(Note18)	None	None
2018/01	10	450,000,000	4,500,000,000	157,990,779	1,579,907,790	Exercise of Stock Options (NT\$10.4million)(Note19)	None	None

1. It has been approved and recorded by the Securities and Future Institute, with No. 28097, dated 2000.04.07

It has been approved and recorded by the Securities and Future Institute, with No. 30269, dated 2000.04.12

2. It has been approved and recorded by the Securities and Future Institute, with No. 1344551, dated 2001.07.04

3. It has been approved and recorded by the Securities and Future Institute, with No. 0910147849, dated 2002.08.30

4. It has been approved and recorded by the Securities and Future Institute, with No.116296, dated 2002.05.16

5. It has been approved and recorded by the Securities and Future Institute, with No.0920134915, dated 2003.08.04

6. It has been approved and recorded by the Securities and Future Institute, with No.0930109717, dated 2004.03.29

7. It has been approved and recorded by the Securities and Future Institute, with No.0930125605, date 2004.06.09

8. It has been approved and recorded by the Securities and Future Institute, with No.0910133029, dated 2002.06.25

9. It has been approved and recorded by the Securities and Future Institute, with No.0930121923, dated 2004.05.25

10.It has been approved and recorded by the Financial Supervision Commission, with No.0940125011,dated 2005.06.22

11.It has been approved and recorded by the Financial Supervision Commission, with No.0950128860, dated 2006.07.06

12.It has been approved and recorded by the Financial Supervision Commission, with No.0960032456, dated 2007.06.27

13.It has been approved and recorded by the Financial Supervision Commission, with No.0970030925, dated 2008.06.20

14.It has been approved and recorded by the Financial Supervision Commission, with No.0980032787, dated 2009.07.01

15.It has been approved and recorded by the Financial Supervision Commission, with No.0990025827, dated 2010.05.28

- 16.It has been approved and recorded by the Financial Supervision Commission, with No.1020026067, dated 2014.07.11
- 17.It has been approved and recorded by the Financial Supervision Commission, with No.09900258271, dated 2010.05.28
- 18.It has been approved and recorded by the Financial Supervision Commission, with No.1060026035, dated2017.07.21
- 19.It has been approved and recorded by the Financial Supervision Commission, with No.960065618, dated 2007.11.21

(2). Types of Stocks :

Unit: Share as of: 2022.03.29

Type of Stocks	Authorized Share Capital		Note
	Outstanding Shares (Listed)	Unissued Shares	
Common Stock	157,990,779	292,009,221	450,000,000
			-

2. Shareholder Structure

Unit: Share as of 2022.03.29

Shareholder Structure	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Individual	Total
Numbers of Shareholders	2	7	211	158	35,051	35,429
Numbers of Shareholdings	30	14,240,364	28,172,356	18,914,230	96,663,799	157,990,779
%	0.00%	9.01%	17.83%	11.97%	61.19%	100.00%

3. Distribution of Ownership

As of 2022.03.29

Shareholder Ownership	Number of Shareholders	Ownership	%
1-999	13,319	1,924,315	1.22%
1,000-5,000	19,256	34,898,421	22.09%
5,001-10,000	1,644	12,902,901	8.17%
10,001-15,000	419	5,416,571	3.43%
15,001-20,000	260	4,837,908	3.06%
20,001-30,000	200	5,143,740	3.26%
30,001-40,000	79	2,821,463	1.79%
40,001-50,000	51	2,384,515	1.51%
50,001-100,000	98	7,117,658	4.51%
100,001-200,000	35	5,026,091	3.18%
200,001-400,000	25	7,350,272	4.65%
400,001-600,000	13	6,252,384	3.96%
600,001-800,000	5	3,555,815	2.25%
800,001-1,000,000	2	1,680,309	1.06%
Over 1,000,001	23	56,678,416	35.86%
Total	35,429	157,990,779	100.00%

4. List of Major Shareholders

As of 2022.03.29

Name	Shares	Total Shares Owned	%
Fubon Life Insurance Co., Ltd.		7,820,000	4.95%
Lung Ko Investment Co., Ltd.		7,551,470	4.78%
Lin Tan Investment Co., Ltd.		7,206,735	4.56%
Fang Hao Investment Co., Ltd.		3,737,246	2.37%
Jing-Rong Tang		3,680,348	2.33%
Citibank (Taiwan) Ltd., in Custody for Norges Bank		2,265,475	1.43%
CTBC Hosting Jing-Rong Tang Trust Treasury Account		2,000,000	1.27%
Shih-Yun Shen		1,868,327	1.18%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds		1,854,793	1.17%
Taiwan Corporative Bank		1,837,000	1.16%

5. Share Price, Net Worth, Earnings, Dividends per Common Share and Relevant Information

Unit: Thousands of Shares/ NT\$

Item		Fiscal Year	
		2021	2020
Market Price per Share	Highest	151.50	138.50
	Lowest	104.00	75.20
	Average	124.17	110.63
Net Worth per Share	Before Distribution	62.43	58.28
	After Distribution	53.43	50.28
Earnings per Share	Weighted Average Shares	157,991	157,991
	Earnings per Share	12.36	8.31
Dividends per Share	Cash Dividends	9	8
	Stock Dividend	-	-
		-	-
Accumulated Undistributed Dividends		-	-
Returns on Investments	Price/Earnings Ratio	10.05	13.31
	Price/Dividend Ratio	13.80	13.83
	Cash Dividend Yield	7.25%	7.23%

Note1: Price Earnings ratio=Annual average closing price per share/ EPS

Note2: Ratio of Dividend=average closing price per share for the year/ cash dividend per share

Note3: Cash Dividend Yield=cash dividend per share/ average closing price per share for the year

6. Dividend Policy and Implementation

1. Dividend Policy

For the Company's mid-term and long-term operating growth and capital need for investing activities, together with the goal of a healthy financial structure, the distribution of profits is proposed to the annual shareholders' meeting by the board. The appropriation of the Company's net income may be distributed by ways of cash dividend and or stock dividends taking into consideration the future capital demand and stock dilution. Stock dividends are to be within 0% to 50% of total dividends, while cash dividends are to be within 50% to 100% of total dividends.

If during the current fiscal year, the Company has no surplus to distribute, or if the surplus is far lower than the actual distribution amount compare to the previous year, or any consideration taken for financial, operational and business matters, the Company can distribute, in accordance to relevant laws and regulations, all or part of the provided fund.

2. Dividends Distribution Proposal

Resolutions of the board's meeting on 2022.03.09 are as follow:

(1) Distribution of dividends and bonuses to shareholders

2021 annual cash dividend is NT\$9 per share, the board of directors shall set the dividend distribution date.

(2) Cash dividend will be paid in cash with calculation rounded down to one NTD; any amount below one NTD will be discarded and accounted as other revenue of the Company.

(3) If this dividend needs modification due to increase (decrease) in capital, buy back of the Company's shares, transfer treasury shares to employees, convert convertible corporate bonds, exercise employee stock option certificates or other reasons that will affect the number of outstanding shares, the board of directors give the chairman full authorizations to act and make decisions.

7. Effect upon business performance and EPS of any stock dividend distribution proposed or adopted at the most recent shareholders meeting:

Not applicable, the Company proposed to allocate all dividends in cash.

8. Employee Dividends and Remuneration and remuneration for Directors and Supervisors
1. The percentage or ranges of employee dividends and directors and supervisors' compensation, as set forth in the Company's Articles of Association
 - (1) The Company shall deduct the benefits before the distribution of remunerations for employee, directors and supervisors in the current year (including inappropriate retained earnings), if there is a surplus, the Company shall allocate no less than 7% for employee benefit and no more than 3% for directors and supervisors remuneration.
 - (2) The decision making on the percentage of the distribution of remunerations for employee, directors and supervisors, as well as the decision making on employee compensation in stock or cash, shall be done via approvals by two-thirds of the members of the board of directors, and reported to the shareholders' meeting. The abovementioned remuneration for directors and supervisors shall only be given via cash.
 - (3) Remuneration of employees from controlling or subsidiaries can be issued with stocks or cash if certain conditions are met. The board of directors and its authorized personnel is authorized to determine the certain condition.
 2. The basis for estimating the amount of remuneration for employees, directors and supervisors, for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:
 - (1) According to the operating forecast of 2021 made by the board of directors and past distribution, deducting 10% of legal reserve and the special reserve from net income, employees' bonus and directors and supervisors compensation were 10.5% and 2% respectively
 - (2) The issued stock shares will be calculated using the closing price on the day before Annual Shareholders Meeting taking the effect of ex-dividend into consideration
 - (3) If there is a difference between the actual distribution amount and the estimated distribution amount as resolved by the board of directors, it will be regarded as a change in accounting estimates and will be listed as profit or losses in 2022
 3. Status on proposal of distribution of employee remuneration approval by the board of directors
 - (1) Distribution of cash bonuses or stock bonuses to employees, and compensation for directors and supervisors. If there is any discrepancy between such an amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:
On 2022.03.09, the board of directors approved on the distribution of employee remuneration of 10.5%, NT\$257.95million; and directors' remuneration of 2%, NT\$49.13million. Both distributions are completed via cash therefore there is no difference between the estimated amount and the actual distributed amount.
 - (2) The number of shares in any proposed distribution of employee stock dividends, and the size of such distribution as a percentage of capital increase paid out of earnings:
Not applicable, no stock dividends was distributed
 4. The actual distribution of employee bonuses and directors and supervisors compensation; on 2021.03.10 the board meetings approved on the resolution of employee remuneration distribution of NT\$197.15million, and remuneration for directors and supervisors for NT\$37.55million; all remunerations are distributed in cash, therefore there is no difference between the estimated number and the actual distributed number. .
9. Buyback of Common Stock: None

II. Issuance of Corporate Bonds

1. Issuance of Corporate Bonds: None
2. Information on Convert Corporate Bond: None
3. Information on Corporate Debt Exchange: None
4. Summarization on the Situation of Reporting and Issuing Corporate Bonds: None
5. Information on Attached Stock Option Corporate Bond: None

III. Issuance of Preferred Shares

None

IV. Issuance of Global Depositary Shares

None

V. Issuances of Employee Stock Options

None

VI. Employee Restricted Stock

None

VII. Mergers and Acquisitions

None

VIII. Status of New Share Issuance in Connection with Acquisitions

None

IX. Financing Plans and Implementation

None

V.Operational Highlights

I. Business Activities

1.Business Scope

In addition to being deeply rooted in the electronics industry, under the diversified development, the Company and its subsidiaries moved forward from electronic component distributor into research and development manufacturer, continuously producing green components and products. In the mean while, the Company has entered the biomedical industry to develop potential medical biotechnology products. The main business content of the Company and its subsidiaries include: R&D and manufacture (MLCC, metallization of ceramic substrates, electrical and electronic system modules, other electronic components and medical facilities and medicines), wholesales and retails (electronic components and others).

(1)Operating Percentage of Major Products (2021)

Major Product	Shares of Sales Revenue
Passive Components	37%
Active Components	26%
System & Module	22%
Others	15%
Total	100%

(2)Current Products of the Company and its Subsidiaries

- (1) Capacitors and Other Passive Components
- (2) Integrated Circuit and Other Active Component
- (3) System Module
- (4) Others

(3)New Products to Develop

- (1) Highly reliable and large size new MLCC
- (2) High reliability and large size SMD safety MLCC
- (3) Medium-voltage and high-capacity multilayer ceramic capacitors for automotive, industrial control and power supplies
- (4) GaN fast charge circuit low loss multilayer ceramic capacitors
- (5) VCSEL and Integrated circuit application thin metalized ceramic heat dissipation substrate
- (6) Miniaturization and high capacity MLCC

2. Industry Overview: Industry Status and Development; Product Development Trends and Competition

1.Industry Status and Development:

The situation of covid-19 appears to be recovering, however, the unforeseen virus trend Omicron at the end of 2021 brought new challenges to the technology industry. Taiwan's electronic components have a high market share in the world, in order to keep up with the recovery of the post-pandemic market, numerous investments were made by various manufacturers, hoping to bring customers a safer and more convenient life through technological and intelligent innovation, and enjoy the high-efficiency intelligence brought by technological process.

ESG: ESG stands for Environment, Social and Governance. Recently, sustainability has become a major issue for the companies. More and more products are purchased under the consideration of its environmental friendliness; national government and international organizations have also formulated series of norms for environmental protection such as: the 17 goals brought by the SDG (Sustainable Development Goal) and standards set by the ISO (International Standard Organization) that includes but not limited to ISO14001 (environmental protection management) and QC080000 (hazardous

substance process management); in terms of energy saving and carbon reduction, numerous globally well-known technology enterprises have proposed carbon neutrality or net zero carbon emission goals, Taiwan has also announced to join the 2050 net zero carbon emissions tasks. In the future, the concepts of ESG and sustainability will be taking into consideration of the development, production and sales process of a product; in addition to complying with supplier specifications, it is also the Company's contribution to protecting the earth.

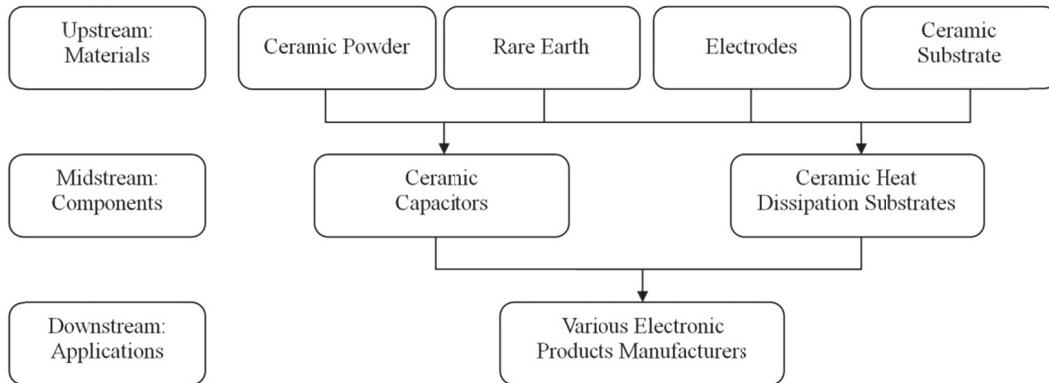
Automotive Electronics: along with the escalation of environmental protection awareness, alternative fuel vehicles are becoming an irreversible trend; many automakers have joined the trend into the investment in electric vehicles. According to Topology Research Institute, Trend Force analyzed, in 2021, total sales of alternative fuel vehicle reached 6.473 million which is a 122% increase in YoY, and it is also predicted that in 2022, the sales of the alternative fuel vehicles will reach 10 million (vehicles). Along with the continuous expansion of the alternative fuel vehicle market, the supply of not just telematics and ADAS but also power management systems will significantly increase. It is estimated to have a significant growth in the demand in automotive components.

Network Communication and Mobile Device: with the development of 5G, people started to have higher requirements for the efficiency and convenience of network communication and mobile devices. In 2021, global market undergoes the covid pandemic, port congestion and shortage of components; with the recovering of the pandemic, relevant disaster should also recover in 2022. From industrial control, network communication device, server to consumer electronics, we look forward to the usher in a market boom due to the increasing popularity of 5G.

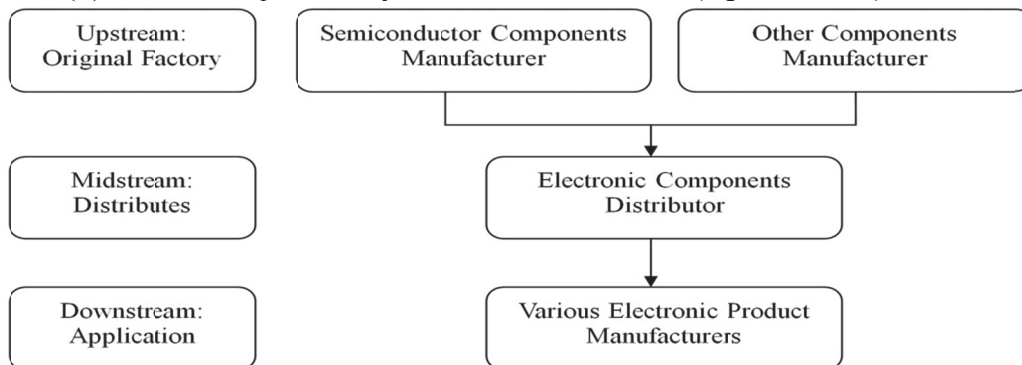
IoT Device: under the pandemic, people started to pay more attention to the comfort of home life, the increasing demand of IoT home device brought along the upgrade of relevant products. Trend Force pointed out, in 2022, over 20 billion IoT device will bring smarter choices for the customer, these include: environmental monitoring and epidemic prevention management in smart cities; home securities and immersive entertainment for smart homes; virtual and real integration of smart manufacturing and, remote service and precision medicine of smart medical care. Along with the escalating demand of smarter life style, demand for relevant products also escalates.

2. Relationship between the Up, Mid and Down-stream of the Industry

(1) Passive Components (House Brand)



(2) Active Components, System Module and Others (Agent Product)



3. Development Trends and Competition of the Products

(1) Passive Component (House Brand Products)

The Company's house brand products, the MLCC and ceramic substrate metallization takes up the majority of passive components production; belonging to the mid-to-top-stream raw material of the market chain. The application of MLCC covers a wide variety of electronic products (including but not limited to, mobile phones, network communication equipments, industrial and automotive electronics). Holy Stone devotes in the production of high-end niche products, continuing to improve in material, facilities and production capacities, striving for the customers' penetration in automotive, industrial control, Netcom and other application, in addition, in response to the growth of the application of the third-generation semiconductors, the Company is currently working closely with customers who uses GaN, SiC IC, and MOS fast charging power sources, and have obtained certifications from many international manufacturers, the Company hopes into becoming long-term partner with our customers.

Ceramic Substrate, as a customized product, is mainly used in heat dissipation of VCSEL. Due to the improvement of product development and production-sales capabilities, the research and development department will continue to develop high-end niche products based on the needs of the market and customers, so as to expand market penetration in automotive, industrial control and Netcom, bringing operational results into a higher level.

(2) Active Component, System Module and Other Products

Active Components: 2021, the sales of the Company's agency active components increased 18% YoY. Benefitted from remote business opportunities brought to the market by the pandemic; main applications of the products are: consumer electronics, IoT and Smart Home Device; in the process of technological transformation, active

components play an important role, therefore, the continuous growth of the demand of active components is predictable.

System Modules: mainly focus on the value-added and solutions of proxy, among all, microcontrollers account for a relatively high proportion. In 2021, revenue of system modules increased 19% YoY. With the rapid development in 5G, IoT and automotive electronics, the Company provides the customers with complete solutions and key components, the applications include: consumer, automotive and industrial control. It is expected that the demand for relevant products will still be the driving force of the growth of the sales of system modules.

Others: other than the previously mentioned active and passive components and system modules, the Company also agent various electronic components such as: fans, batteries and mechanical components. Sales of other types of components decreased by 7% YoY.

The Company cultivates in the production and sales of niche passive components, main raw materials are purchased from internationally well known suppliers; recently, to diversify international sourcing risks and reduce energy consumption from shipping, domestic suppliers are also considered. Investments were made in the Company's material development to enhance high-end powder production capacity. Competitors of passive components are mainly internationally well known enterprises. Electronic supply chain undergoes the covid pandemic, port congestion and shortage of components, facing the challenges brought to the market, the Company responded quickly to ensure the quality of the products and services. Agency products are mainly from internationally well know enterprises, major competitors are foreign and domestic electronic components agencies.

Due to the diverse product lines and the deep cultivation into the niche markets, the Company maintains its competitiveness as well as customer satisfactions. In the future, the Company will continue to uphold the spirit of sustainable operation, strictly control products and services minimize external operational risks, ensuring long-term business performance of the Company.

3. Research and Development Highlights

1. R&D Expenditures during the most recent fiscal year and as of the first quarter of 2022

Unit: Thousands of NT\$

Item	2021
R&D Expenditures	364,486
Net Sales	16,602,046
Percentage	2.20%

2. Successful Development of New Technology and or Products

- (1) Completed the development of MLCC products with high temperature resistance and high reliability for 5G base station
- (2) Continuous recognition by automotive electronic consumers, marketing and development of high temperature resistant product
- (3) Self research and development of MLCC power material, applied to fields such as advanced power modules and wireless charging modules
- (4) Continuous development on capacitors such as: high-speed computing industrial control and automotive charger

3. Future R&D Plans and Expenditures

With the growth of industry and market demand, the Company and Subsidiaries continue to invest in R&D of products and production process to satisfy customer's requirements and to

strengthen corporate competency. Future investments in R&D are estimated to be NT\$577million.

4. Short-Term and Long-Term Development Strategies

1. Marketing Strategies

(1) Short-Term Plan

- (1) React promptly to different applications in the market and provide customer development of LED, power supply and network communication
- (2) Expand products for main customers in the United States and Europe, offer one-stop shopping
- (3) Enhance marketing strategies on high temperature and high reliability MLCC
- (4) Due to the continued growth of electric car industry, proving customer with high-end automotive MLCC

(2) Long-Term Plan

- (1) Accelerate setup for dealer and agent in Pan-Asian Region
- (2) Strengthen dealer and agent services and product support in Greater China Region
- (3) Develop industrial client group for medical industry
- (4) Strengthen the development of client group for automotive electronics
- (5) Development of 5G base station application client group
- (6) Establish long-term partnership with foreign industrial control and power supply factory

2. Production Policies

(1) Short-Term Plan

- (1) Adjust product portfolio and lower production cost
- (2) Improve processes technology and product yield to reach maximum production efficiency
- (3) Establish flexible order system. Quickly response to emergency customer demands, creating the greatest order benefits

(2) Long-Term Plan

- (1) Optimize production line by increasing automatic equipment, debottlenecked station detection and workflow efficiency
- (2) Determine production and quality by annual plan and fulfill KPI management and staff training, cost enhancement management
- (3) Eliminate or transform worn producing machines to enhance production and lower staff costs
- (4) Electronize process condition, lower staff load and chances of errors
- (5) Establish advanced production equipment, moving forward to the position of niche products
- (6) Establish new smart-plants, saving human effort, increasing efficiency
- (7) Enhancing the recycle of resources, lowering industrial waste while increasing energy efficiency
- (8) Responded to the escalating awareness of ESG globalization, the Company operates full review on the carbon emission of the production supply chain and set future goals in accordance

II. Market and Sales Overview

1. Market Analysis

(1) Sales and Provision of Major Products and Services

The Company and its subsidiaries mainly serve telecommunication, consumer electronics, automotive electronics and industrial electronics. The Company actively expands into the European and American markets to strengthen the export capabilities. Medical biotechnology products are mainly in the European market.

Sales by the Territory in the Recent Years

Unit: Thousands of NT\$

Year Area	2020		2021	
	Gross Revenue	%	Gross Revenue	%
Taiwan	2,665,223	17.97%	2,815,894	16.96%
China	10,563,122	71.22%	12,009,860	72.34%
U.S.A.	146,272	0.99%	225,417	1.36%
Others	1,455,811	9.82%	1,550,875	9.34%
Total	14,830,428	100.00%	16,602,046	100.00%

Note: statistics on the consolidated revenue.

(2) Market Share

The Company and the subsidiaries mainly sells passive and active components as well as system model; the consolidated revenue of 2021 was NT\$16,602million. Products of the Company and its subsidiaries occupy a certain market shares in the market.

(3) Supply-Demand Situation and Growth Potential of the Market

Market Analysis of the Major Products of Holy Stone and the Subsidiaries are as Follows:

A. Passive Component

Passive component production line of the Company and its subsidiaries majors in capacitors. With the house brand MLCC taking up the highest proportion, metallization of ceramic substrate and other distributing aluminum capacitors coming after; downstream application industries include: information and communication industry, industrial electronics, automotive electronics, optoelectronics industry and consumers electronics. Due to the increasing demand in automotive, industrial control, server, solar energy, internet communication and power supply, the Company has, coping with the new product development progress and production capacity improvement plan, the Company has anticipated further focus on the production of niche products, meeting customers' demands for specific industries.

B. Active Component

Including but not limited to: power management IC, filter, switches, diode and touching IC; major application filed include: mobile phone, network communication, energy saving (BBU/ESS) and other smart home device. 5G applications not just provide faster mobile phone or data computing and analysis capabilities, but also connect various devices such as cars, machines, goods and home devices to the IoT; the demand for relevant electronic components is expected to continue growing.

C. System Module

The system module products of the Company and its subsidiaries are mainly value-added microcontrollers, the agent products ranged from 8-bit to 32-bit. The Company has successfully launched innovative products, this not only provide products of various specification, but also complete solutions to meet customers' demands and requests. With the rapid development of the electronic industry, portable device, the IoT, smart device gradually becomes the future development trends. The Company and its subsidiaries will also cooperate with the market trends, timely provides our customers with relevant solutions, products and services.

- D. Others
 - Electronic components that include: fans, batteries and mechanical components. Due to the increase in the demand of the electronic components, the above mentioned products will focus more on high-end applications market to improve operational efficiency.
- (4) Core competences, advantages and disadvantages of future prospects and responsive strategies
 - (1) Core Competences and Advantages
 - A. Cultivated in the market for years, penetrated sales channels and services.
 - B. Dominating technologies for developing niche MLCCs.
 - C. Strengthen agency products; invest in system integration, laying solid direction for product business diversification.
 - D. Fully grasp the pulse of the industry, in line with the rapid development of electric vehicles, timely launches special application products such as battery management and car chargers.
 - (2) Disadvantages and Responsive Strategies
 - A. Sources of Main Materials rely on Importation
 - Coping Strategies:
 - (1) Invests in the R&D of raw materials; elevating the ability of material testing and improving capabilities.
 - (2) Maintaining good relationship with existing suppliers while exploiting new suppliers to reduce possible risks of raw material shortage.
 - (3) Due to severe global inflation, close monitor in supply status as well as price volatility is necessary.
 - B. Significant increase in market competition
 - Coping Strategies:
 - (1) Develops in new application market, producing products that are higher level, higher unit price and more competitive.
 - (2) Distributes competitive products while expanding new agency lines; providing customers with various procurement solutions for steady and diversified sales performance.
 - C. Inventory pressure due to significant market changes
 - Coping Strategies:
 - (1) Expands customers and application field in different markets.
 - (2) Strictly controls purchases and sales inventory via the BI management system.

2. Application and Production Process of Major Products

(1) Applications of Major Products

MLCC:

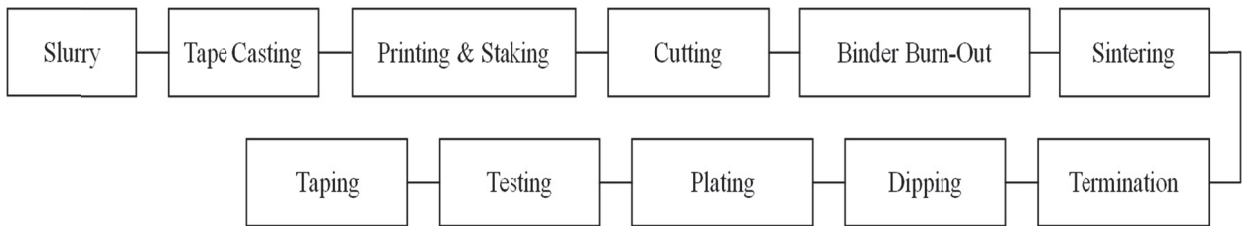
The most used electrical energy storage components used on the circuit board of coupling and coordination functions. Due to its physical properties of high resistance in high voltage, high heat with wide operating temperature range and low loss rate during high frequency use, it is very suitable for high-tech, automotive, precision medical, energy-saving and green energy electronic products.

Ceramic Substrate Metallization:

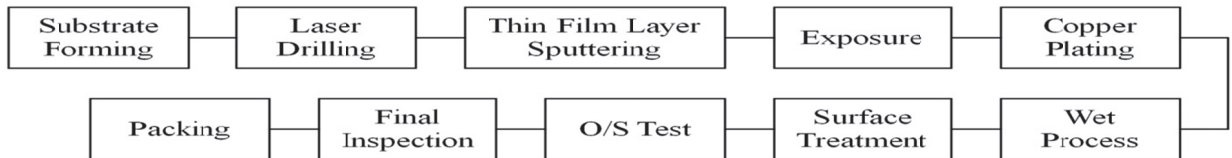
The circuit is fabricated by metalizing on the ceramic substrate through difference to perform the solid bonding between the ceramic and the metal. It is applied to the packaging of the products that required high thermal conductivity such as IC, visible/ invisible light source packaging, or products that required extreme miniaturization, high temperature resistance, humidity and other harsh environments.

(2) Production Process

Surface-Mounted MLCC



Thin Film Ceramic Thermal Substrate



3. Suppliers of Major Materials

In order to ensure steady supply of electronic components, the Company not only maintains good relationship with existing vendors but also actively develops new vendors to increase supply sources and cut down costs. Current list of major agency products and its suppliers are listed below:

Major Products	Name of Major Supplier
Capacitor	AIC 、 Nichicon
Integrated Circuit	Microchip
Electronic Component	Panasonic

4. Major Suppliers and Customers List

(1) Major Suppliers List (Suppliers making up 10% of total purchases)

Unit: Thousands of NT\$/ %

Item	2020				2021			
	Name	Amount	Percentage of total Net Purchases (%)	Relationship	Name	Amount	Percentage of total Net Purchases (%)	Relationship
1	A	3,353,416	35.36	None	A	3,458,270	29.99	None
2	B	1,649,994	17.40	None	B	2,367,231	20.53	None
	Others	4,480,354	47.24	-	Others	5,705,034	49.48	
	Total	9,483,764	100.00	-	Total	11,530,535	100.00	

Note1: List the names of the suppliers who have purchased more than 10% of total purchases in the last two years and their purchase amounts and proportions. However, due to the stipulated contracts that the name of the supplier cannot be disclosed or the transaction object is an individual and not a related person, it may be noted as a coded name.

(2) Major Customers List (customers making up over 10% of total sales)

For the most recent two years there are no customers making up over 10% of total sales.

5. Production Value in the Most Recent Two Years

Units : KPCS/ NT\$: thousands

Major Project (or department)	Year	2020			2021		
		Capacity	Quantity	Value	Capacity	Quantity	Value
Capacitors		18,000,000	15,592,407	3,678,582	20,000,000	15,131,186	3,938,006

Note1: production capacity refers to the amount that the company can produce under normal operation using existing production equipment after taking into account factors such as necessary shutdowns and holidays.

Note2: if the production of each product is substitutable, the production capacity may be calculated on a consolidated basis, explanation should be attached.

6. Sales Quantity and Value

Unit: Thousands of NT\$

Item	2020				2021			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Passive Components	1,253,233	590,999	11,129,388	4,336,575	1,589,039	897,704	10,351,048	4,587,674
Active Components	11,308	241,486	734,901	3,416,076	52,073	427,626	698,688	3,870,036
System & Modules	45,925	665,743	142,645	1,695,112	50,654	839,094	166,163	2,128,420
Others	41,133	105,210	676,167	1,338,197	45,872	79,723	667,790	1,015,305
Total	1,351,599	1,603,438	12,683,101	10,785,959	1,737,638	2,244,147	11,883,689	11,601,435

Note: the above information is the sales volume data of the Company.

III. Employee Demographic Data

Year		2020	2021	2022.03.31
Numbers of Employees	Direct	519	589	581
	Indirect	447	460	444
	Total	966	1,049	1,025
Average Age		39.82	40.04	40.19
Average Years of Employment		9.80	9.68	9.83
Level of Education (%)	Ph.D.	0.21	0.19	0.20
	Master's Degree	6.31	6.10	6.24
	Bachelor's & Associate Degree	52.38	51.48	50.93
	Senior High School	38.30	39.56	40.20
	Others	2.80	2.67	2.44

Note: Information above is from the parent Company

IV. Environmental Protection Costs

As of the printing date of this annual report, the total amount of loss and disciplinary action from environmental pollution were as follows, along with the description of future responsive strategies and possible expenditures.

1. Total loss and fines for environmental pollution for recent years and as of the printing date of this Annual Report: None.
2. Countermeasures
 - (1) Continue to Exercise Environmental Protection Policies:
Comply with legal requirements and fulfill corporate social responsibility; establish a green corporation and develop green products; protect the environment and reduce processed wastes; continue to improve the environment and prevent environmental pollution; exercise environmental education and foster the quality of life.
 - (2) Disposal of Waste:
The Company entrusts certified waste management organization to process waste and disposals, therefore there are no environmental pollution made by the company.
 - (3) Disposal of Polluted Wastewater:
The Company conducts periodic examinations on the disposal of polluted water as well as periodically renews water disposal system. The "Discharge Permit" was acquired.
 - (4) Disposal of Exhausted Gas:
The company is equipped with a complete exhaust system. With new acquisitions on production equipments, the Company also strengthens its pollution prevention projects accordingly. The "Stationary Pollution Source Installation Permit" was acquired.
 - (5) In order to exercise environmental protection and raise environmental quality, the Company is expected to invest NT\$79.3 million in pollution prevention equipment to meet higher control standards.
 - (6) The Company is attentive to environmental protection. Designated personnel were hired to supervise and improve the software and hardware systems. Currently, the Company is in conformity to government regulations; therefore, there are limited influence on the Company's net income and competitiveness. Please refer to the Company's online CSR Report for more details at: <https://www.holystone.com.tw>

3. Expenditures on Environmental Protection in the Next Three Years

Unit: Thousands of NT\$

Item	Environmental Expenditure	Estimated Funds
1	Exhausted and polluted water disposal equipment	\$ 79,300
2	Environmental testing fee	4,077
3	Wastewater disposal fee	14,414
4	Environmental equipment maintenance fee	3,274
5	Waste disposal fee	38,276
6	Consumptive material replacement fee	6,750
7	Others	9,326
		\$ 155,417

V. Labor Relationships

1. List of the Company's employee benefits, further education, training and pension policies and its implementation status, as well as labor agreements and measures for protecting employee rights and interests:
 - (1)Diverse Employee Compensation Plan:
The company offers regular health check-ups, childcare grant, hands out cash gifts and vouchers for holidays, birthdays, weddings, childbirths, hospitalizes as well as subsidies for employee trips, social club activities and special discount stores. The company also works with charity groups to launch charity events that include: internal touring art galleries for the employees to relax and reinforce their relationships with other employees while enhancing employee cohesion.
 - (2)Employee Education and Trainings:
The Company identifies its employees as valuable assets. An active learning environment is developed for employees to take important roles in the top teams. From a single course to serious of courses, the Company continuously raises employee' overall competitiveness. These includes but not limited to: developmental courses and channels for diversified learning experiences and corporative education system.
 - (3)Retirement Plan:
In accordance with the Labor Standards Act of Republic of China Taiwan, the Company arranged the "Employee Pension Plan" that monthly distributes pension funds to the Bank of Taiwan to ensure the retirement life of employees. From July 1st 2005, the Company, if accepted or agreed by the employee, distributes a fixed percentage of an employee's total salary to the Individual Pension Account offered by the Bureau of Labor Insurance of Republic of China Taiwan as a further protection to the employees' retirement life.
 - (4)Agreement Between Labor and Management:
Company relies on the efforts and contributions of each and every employee to achieve corporation goals. Therefore, the relationship between labor and management team plays an important role in the Company at all times. As of today, there have not been any disputes between labor and management, nor is the Company expecting to encounter one in the future.
2. Losses occurred as a result of labor disputes in the recent years and up to the printing date of this Annual Report and disclosure of potential present and future losses regarding labor disputes:
Up to the printing date of this Annual Report, there were no losses or labor disputes. The Company does not expect to suffer or lose as a result from labor disputes in the future.

VI. Information Security Management

1. Major Information Security Management Structure
The responsible unit for information security of the Company is the Information Center and Information Security Office, the unit has dedicated information officers as well as dedicated information personnel. The Information Center and Information Security Office is in charge of stipulating information security policy for the Company, planning and promoting information security policy as well as regularly reporting the implementation status of information security policy to the Board of directors.

2. Information Security Policy
 - (1) Every employee in the Company should follow strictly to the Company's information security policy in order to implement information security management and to ensure the confidentiality, totality and availability of the information assets, fulfilling the goal of sustainable operation.
 - (2) The Company's Information Security Policy Content Includes: device usage, fax usage, media storage device, access control, software usage, wireless internet, industrial control, environmental safety, account password and key, system development and maintenance, email and communication software, supplier and personnel employment and information security incident policy.
3. Management Plan
 - (1) New-generation firewall has been equipped at the entrance of the connection between the computer room and the external network system, providing high-threat protection and effectively blocking hackers from illegal intrusion.
 - (2) The server and terminal computer equipment have been installed with high-protection, endpoint protection and antivirus software, and the virus code is automatically updated to effectively block the latest virus intrusion.
 - (3) Email antivirus as well as spam email filtration mechanism has been established for email server, ensuring no virus or junk mails enter the end users computers.
 - (4) Systems in the computer room are fully equipped with backup mechanisms; important systems are equipped with offsite backup rescue mechanism, ensuring sustainable operation of the Company.
 - (5) Established SOP for the manufacturers entering the plant for facilities repair, ensuring information security for the production lines.
 - (6) In addition to using a VPN account and password, multifactor authentication mechanism is also required to verify the identity of the personnel logging in to the intranet of the Company remotely. Every remote logins have complete entry and exit records for inspections.
 - (7) Annual drill on disaster recovery to ensure no interruption for the operation of the Company.
 - (8) Regularly launches trainings and seminars on information security related topics to ensure employees' awareness for information security.

VII. Contracts

2022.03.31

Contract Classification	Company	Contract Duration	Main Contents	Term Limits
Distribution and Agent Agreement	SIMCom	2018.04.11-2023.03.10	Electronic Components Sales	-
Distribution and Agent Agreement	AIC	2020.04.01-2023.03.31	Electronic Components Sales	-
Distribution and Agent Agreement	Nichicon	2018.08.01-2023.07.31	Electronic Components Sales	-
Distribution and Agent Agreement	Nuvoton	2021.04.01-2023.03.31	Electronic Components Sales	-

VI. Financial Highlights

I. Condensed Balance Sheet and Condensed Income Statement

1. Condensed Balance Sheet-International Financial Reporting Standards-Consolidated

Unit: Thousands of NT\$

Item	Year	Financial Information for the most recent 5 years				
		2017	2018	2019	2020	2021
Current Assets		8,560,373	10,793,472	10,136,717	10,380,947	10,936,135
Property, Plant and Equipment		2,320,640	2,861,410	3,174,582	3,611,113	4,290,690
Intangible Assets		186,263	19,586	16,275	13,744	10,072
Other Assets		859,722	892,520	817,318	624,116	1,033,632
Total Assets		11,926,998	14,566,988	14,144,892	14,629,920	16,270,529
Current Liabilities	Before Distribution	3,454,982	4,205,849	4,266,900	4,474,563	4,634,994
	After Distribution	4,292,333	5,627,766	5,372,836	5,738,489	6,056,911
Noncurrent Liabilities		148,716	185,067	245,988	611,551	1,550,813
Total Liabilities	Before Distribution	3,603,698	4,390,916	4,512,888	5,086,114	6,185,807
	After Distribution	4,441,049	5,812,833	5,618,824	6,350,040	7,607,724
Equity Attributable to Parent Company		7,859,805	9,648,921	8,997,043	9,207,885	9,863,896
Common Stock		1,579,908	1,579,908	1,579,908	1,579,908	1,579,908
Capital Surplus		3,493,390	3,403,321	3,402,323	3,109,960	3,140,525
Retained Earnings	Before Distribution	2,680,736	4,798,608	4,143,633	4,640,401	5,307,317
	After Distribution	1,843,385	3,376,691	3,037,697	3,376,475	3,885,400
Other Equity		105,771	(132,916)	(128,821)	(122,384)	(163,854)
Treasury Stock		-	-	-	-	-
Non-Controlling Equity		463,495	527,151	634,961	335,921	220,826
Total Shareholders' Equity	Before Distribution	8,323,300	10,176,072	9,632,004	9,543,806	10,084,722
	After Distribution	7,485,949	8,754,155	8,526,068	8,279,880	8,662,805

2. Condensed Income Statement-International Financial Reporting Standards-Consolidated

Unit: Thousands of NT\$

Item \ Year	Financial Information for the most recent 5 years				
	2017	2018	2019	2020	2021
Net Sales	13,108,837	16,350,840	14,601,179	14,830,428	16,602,046
Gross Profit	2,420,966	5,745,762	3,050,545	3,081,851	3,675,399
Operating Income (Loss)	884,183	3,602,120	862,438	1,509,857	2,011,574
Non-Operating Income and Expenses	44,347	(80,256)	85,632	81,734	57,312
Income Before Income Tax	928,530	3,521,864	948,070	1,591,591	2,068,886
Net Income From Continuing Operations	737,438	2,679,905	661,728	1,229,790	1,836,510
Loss From Discontinued Operations	-	-	-	-	-
Net Income (Loss)	737,438	2,679,905	661,728	1,229,790	1,836,510
Other Comprehensive Gains and Losses (Net Amount After Tax)	(62,860)	(3,183)	4,618	5,356	(67,321)
Total Comprehensive Profit or Loss	674,578	2,676,722	666,346	1,235,146	1,769,189
Net Income Attributable to Shareholders of the Parent Company	878,853	2,781,612	792,800	1,312,345	1,952,417
Net Income Attributable to Non-Controlling Equity	(141,415)	(101,707)	(131,072)	(82,555)	(115,907)
Comprehensive Gains and Losses Attributable to Shareholders of Parent Company	804,585	2,771,323	792,353	1,310,891	1,889,372
Comprehensive Gains and Losses Attributable to Non-Controlling Equity	(130,007)	(94,601)	(126,007)	(75,745)	(120,183)
Earnings Per Share (NT\$) (Note)	4.40	17.61	5.02	8.31	12.36

Note: the calculation is based on the weighted average number of outstanding shares in the current year and the retrospective adjustment of the weighted number of outstanding shares in circulation over the years due to the capital increase from surplus and capital reserve.

3. Condensed Balance Sheet-International Financial Reporting Standard-Unconsolidated

Unit: Thousands of NTS

Item		Year	Financial Information for the most recent 5 years				
			2017	2018	2019	2020	2021
Current Assets			6,913,378	9,086,820	8,227,955	8,336,802	8,863,079
Property, Plant and Equipment			1,840,843	2,386,658	2,695,848	3,160,713	3,810,478
Intangible Assets			-	-	-	-	-
Other Assets			2,254,091	1,966,875	1,426,007	2,047,229	2,530,695
Total Assets			11,008,312	13,440,353	12,349,810	13,544,744	15,204,252
Current Liabilities	Before Distribution		3,070,105	3,664,541	2,914,585	3,770,551	3,825,486
	After Distribution		3,907,456	5,086,458	4,020,521	5,034,477	5,247,403
Noncurrent Liabilities			78,402	126,891	438,182	566,308	1,514,870
Total Liabilities	Before Distribution		3,148,507	3,791,432	3,352,767	4,336,859	5,340,356
	After Distribution		3,985,858	5,213,349	4,458,703	5,600,785	6,762,273
Equity Attributable to Parent Company			7,859,805	9,648,921	8,997,043	9,207,885	9,863,896
Common Stock			1,579,908	1,579,908	1,579,908	1,579,908	1,579,908
Capital Surplus			3,493,390	3,403,321	3,402,323	3,109,960	3,140,525
Retained Earnings	Before Distribution		2,680,736	4,798,608	4,143,633	4,640,401	5,307,317
	After Distribution		1,843,385	3,376,691	3,037,697	3,376,475	3,885,400
Other Equity			105,771	(132,916)	(128,821)	(122,384)	(163,854)
Treasury Stock			-	-	-	-	-
Non-Controlling Equity			-	-	-	-	-
Total Shareholders' Equity	Before Distribution		7,859,805	9,648,921	8,997,043	9,207,885	9,863,896
	After Distribution		7,022,454	8,227,004	7,891,107	7,943,959	8,441,979

4. Condensed Income Statement-International Financial Reporting Standards-
Unconsolidated

Units: Thousands of NT\$

Item \ Year	Financial Information for the most recent 5 years				
	2017	2018	2019	2020	2021
Net Sales	11,138,979	13,890,818	11,663,523	12,389,397	13,845,582
Gross Profit	1,960,559	5,197,315	2,570,727	2,628,648	3,141,139
Operating Income (Loss)	1,086,528	3,946,722	1,724,287	1,705,302	2,064,428
Non-Operating Income and Expenses	(33,401)	(359,608)	(668,716)	(62,403)	85,133
Income Before Income Tax	1,053,127	3,587,114	1,055,571	1,642,899	2,149,561
Net Income From Continuing Operations	878,853	2,781,612	792,800	1,312,345	1,952,417
Loss From Discontinued Operations	-	-	-	-	-
Net Income (Loss)	878,853	2,781,612	792,800	1,312,345	1,952,417
Other Comprehensive Gains and Losses (Net Amount After Tax)	(74,268)	(10,289)	(447)	(1,454)	(63,045)
Total Comprehensive Profit or Loss	804,585	2,771,323	792,353	1,310,891	1,889,372
Net Income Attributable to Shareholders of the Parent Company	878,853	2,781,612	792,800	1,312,345	1,952,417
Net Income Attributable to Non-Controlling Equity	-	-	-	-	-
Comprehensive Gains and Losses Attributable to Shareholders of Parent Company	804,585	2,771,323	792,353	1,310,891	1,889,372
Comprehensive Gains and Losses Attributable to Non-Controlling Equity	-	-	-	-	-
Earnings Per Share (NT\$) (Note)	4.40	17.61	5.02	8.31	12.36

Note: the calculation is based on the weighted average number of outstanding shares in the current year and the retrospective adjustment of the weighted number of outstanding shares in circulation over the years due to the capital increase from surplus and capital reserve.

5. Name and Opinions of the Auditors in the Most Recent 5 Years

Year	Accounting Firm	CPA	Audit Opinion
2017	KPMG	Ching-Sung Wang, Pei-Chi Chen	Unmodified Opinion
2018	KPMG	Ming-Fang Hsu, Ching-Sung Wang	Unmodified Opinion
2019	KPMG	Ming-Fang Hsu, Ching-Sung Wang	Unmodified Opinion
2020	KPMG	Ming-Fang Hsu, Ching-Sung Wang	Unmodified Opinion
2021	KPMG	Ming-Fang Hsu, Pei-Chi Chen	Unmodified Opinion

II. Financial Analysis

1. International Financial Reporting Standard-Consolidated

Item (Note2)		Year				
		Financial Analysis from 2017 to 2022 (Note1)				
		2017	2028	2019	2020	2021
Capital Structure Analysis (%)	Debt Ratio	30.21	30.14	31.90	34.77	38.02
	Long-Term Fund to Fixed Assets Ratio	365.07	362.10	311.16	281.23	271.18
Liquidity Analysis	Current Ratio	247.77	256.63	237.57	232.00	235.95
	Quick Ratio	182.24	192.94	178.02	178.84	167.52
	Times Interest Earned	45.83	144.87	58.23	88.01	161.54
Operating Performance Analysis	Average Collection Turnover (Times)	4.03	5.12	4.88	5.10	5.26
	Days Sales Outstanding	91	71	75	72	69
	Average Inventory Turnover (Times)	5.35	4.43	4.58	4.97	4.82
	Average Payment Turnover (Times)	8.63	9.16	13.17	12.21	10.73
	Average Inventory Turnover Days	68	82	80	73	76
	Fixed Asset Turnover (Times)	5.55	6.31	4.84	4.37	4.20
	Total Assets Turnover (Times)	1.10	1.12	1.03	1.01	1.02
Profitability Analysis	Return on Total Assets (%)	6.22	20.37	4.69	8.65	11.96
	Return on Equity (%)	8.60	28.97	6.68	12.83	18.71
	Net Income Before Tax to Paid-in-Capital Ratio (%)	58.77	222.92	60.01	100.74	130.95
	Net Margin (%)	5.63	16.39	4.53	8.29	11.06
	Earnings Per Share (NT\$) (Note1)	4.40	17.61	5.02	8.31	12.36
Cash Flow (%)	Cash Flow Ratio (%)	45.83	73.36	35.94	20.14	34.07
	Cash Flow Adequacy Ratio (%)	116.17	146.28	117.86	93.72	78.76
	Cash Flow Reinvestment Ratio (%)	9.36	17.12	0.85	-1.48	2.00
Leverage	Operating Leverage	1.00	1.00	1.00	1.00	1.00
	Financial Leverage	1.02	1.01	1.02	1.01	1.01

Specify the reasons for changes in financial ratios in the last two years:

- 1.interest coverage ratio increased from the previous period, due to increase in net profit before tax
- 2.return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share increased compared to the previous year, due to increase in net profit before and after tax
- 3.cash flow ratio increased compared to the previous year, due to increase in net cash inflow from operating activities
- 4.cash reinvestment ratio decreased compared to previous period, due to capital expenditure and inventory increase

Note1: the circulation is based on the weighted average number of outstanding shares in the current year and the retrospective adjustment of the weighted number of outstanding shares in circulation over the years due to the capital increase from surplus and capital reserve.

Note2: calculation formula of the analyzed content is as below:

2. International Financial Reporting Standards- Unconsolidated

Item (Note2)	Year	Financial Analysis from 2017 to 2022 (Note1)				
		2017	2028	2019	2020	2021
Capital Structure Analysis (%)	Debt Ratio	28.60	28.21	27.15	32.02	35.12
	Long-Term Fund to Fixed Assets Ratio	426.97	404.29	349.99	309.24	298.62
Liquidity Analysis	Current Ratio	225.18	247.97	282.30	221.10	231.69
	Quick Ratio	159.70	180.86	205.02	167.64	158.04
	Times Interest Earned	54.28	159.96	82.68	121.79	260.08
Operating Performance Analysis	Average Collection Turnover (Times)	3.70	4.86	4.58	5.10	5.15
	Days Sales Outstanding	99	75	80	72	71
	Average Inventory Turnover (Times)	5.18	3.92	3.89	4.60	4.47
	Average Payment Turnover (Times)	7.87	7.92	11.33	11.51	10.11
	Average Inventory Turnover Days	70	93	94	79	82
	Fixed Asset Turnover (Times)	5.88	6.57	4.59	4.23	3.97
	Total Assets Turnover (Times)	1.01	1.03	0.94	0.91	0.91
Profitability Analysis	Return on Total Assets (%)	7.98	22.90	6.22	10.22	13.63
	Return on Equity (%)	10.92	31.77	8.50	14.42	20.47
	Net Income Before Tax to Paid-in-Capital Ratio (%)	66.66	227.05	66.81	103.99	136.06
	Net Margin (%)	7.89	20.02	6.80	10.59	14.10
	Earnings Per Share (NT\$) (Note1)	4.40	17.61	5.02	8.31	12.36
Cash Flow (%)	Cash Flow Ratio (%)	52.58	95.47	57.65	52.47	41.34
	Cash Flow Adequacy Ratio (%)	125.17	157.97	130.86	118.95	94.29
	Cash Flow Reinvestment Ratio (%)	10.21	21.69	2.09	6.65	2.09
Leverage	Operating Leverage	1.00	1.00	1.00	1.01	0.99
	Financial Leverage	1.02	1.01	1.01	1.01	1.00

Specify the reasons for changes in financial ratios in the last two years:

1. interest coverage ratio increased from the previous period, due to increase in net profit before tax
2. return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share increased compared to the previous year, due to increase in net profit before and after tax
3. cash flow ratio increased compared to the previous year, due to increase in net cash inflow from operating activities
4. cash reinvestment ratio decreased compared to previous period, due to capital expenditure and inventory increase

Note2: the circulation is based on the weighted average number of outstanding shares in the current year and the retrospective adjustment of the weighted number of outstanding shares in circulation over the years due to the capital increase from surplus and capital reserve

Note3: calculation formula of the analyzed content is as below:

1. Capital Structure Analysis
 - (1) Debt Ratio= $\text{Total Liabilities} / \text{Total Assets}$
 - (2) Long-Term Fund to PP&E Ratio= $(\text{Equity} + \text{Long-Term Liabilities}) / \text{Net PP\&E}$
 2. Liquidity Analysis
 - (1) Current Ratio= $\text{Current Assets} / \text{Current Liabilities}$
 - (2) Quick Ratio= $(\text{Current Assets} - \text{Inventories} - \text{Prepaid Expenses}) / \text{Current Liabilities}$
 - (3) Times Interest Earned= $\text{Earnings before Interest and Tax} / \text{Interest Expenses}$
 3. Operating Performance Analysis
 - (1) Average Collection Turnover= $\text{Net Sales} / \text{Average Trade Receivables}$
 - (2) Days Sales Outstanding= $365 / \text{Average Collection Turnover}$
 - (3) Average Inventory Turnover= $\text{Cost of Sales} / \text{Average Inventory}$
 - (4) Average Payment Turnover= $\text{Cost of Sales} / \text{Average Trade Payables}$
 - (5) Average Inventory Turnover Days= $365 / \text{Average Inventory Turnover}$
 - (6) PP&E Turnover= $\text{Net Sales} / \text{Net PP\&E}$
 - (7) Total Assets Turnover= $\text{Net Sales} / \text{Average Total Assets}$
 4. Profitable Analysis
 - (1) Returns on Total Assets= $(\text{Net Income} + \text{Interest Expense} * (1 - \text{Effective Tax Rate})) / \text{Average Total Assets}$
 - (2) Returns on Equity= $\text{Net Income} / \text{Average Equity}$
 - (3) Net Margin= $\text{Net Income} / \text{Net Sales}$
 - (4) Earnings Per Share= $(\text{Net Income Attributable to Shareholders of Parent Company} - \text{Preferred Stock Dividend}) / \text{Weighted Average Number of Shares Outstanding (Note4)}$
 5. Cash Flow
 - (1) Cash Flow Ratio= $\text{Net Cash Provided by Operating Activities} / \text{Current Liabilities}$
 - (2) Cash Adequacy= $\text{Five-Year Sum of Cash from Operations} / \text{Five-Year Sum of Capital Expenditure, Inventory Additions and Cash Dividend}$
 - (3) Cash Flow Reinvestment Ratio= $(\text{Cash Provided by Operating Activities} - \text{Cash Dividends}) / (\text{Gross PP\&E} + \text{Investment} + \text{Other Noncurrent Assets} + \text{Working Capital})$ (Note 5)
 6. Leverage
 - (1) Operating Leverage= $(\text{Net Sales} - \text{Variable Cost}) / \text{Income from Operations (Note6)}$
 - (2) Financial Leverage= $\text{Income from Operations} / (\text{Income from Operations} - \text{Interest Expenses})$
- Note4: Special Notice of the Calculating Formula for EPS
- (1) Based on weighted average shares in common stock, not on shares issued at the end of the year.
 - (2) For corporate with cash capital increase and treasury stock trading, the weighted average shares calculation should consider outstanding period.
 - (3) For corporate with capitalization of profits and capital surplus, the annual and semiannual EPS should be adjusted with ratio of capital increase, but period of capital increase issued needn't consider
 - (4) If it is unconvertible accumulated preferred stock, the annual dividend should be subtracted from net income or added to net loss. If it is unaccumulated preferred stock, dividends should also be subtracted from net income where there is positive income, but needn't be adjusted when there is net loss.
- Note5: Special notice of cash flow analysis measurements:
- (1) Net cash provided by operating activities is cash flow provided by operating activities in Statement of Cash Flow
 - (2) Capital expenditure is cash outflow provided by capital investment yearly
 - (3) Inventory additions are taken into account only when the balance in the end is more than that in the beginning, and it will be zero when there is a decrease in inventory
 - (4) Cash dividends include those on common stock and preferred stock
 - (5) Gross PP&E is total PP&E before accumulated depreciation
- Note6: Issuers should distinguish every operating costs and operating expenses to the fixed-property or the varied-property, and maintain their rationality and consistency if there is any estimation or subjective judgment
- Note7: For foreign companies, aforementioned "ratio to paid-in capital" shall be calculated as "ratio to net value"

III. Auditors Report

Holy Stone Enterprise Co., Ltd. Auditor's Report

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements and Proposal for Allocation of Profits. The Financial Statements have been audited and certified by Ming-Fang Hsu CPA and Pei-Chi Chen CPA of KPMG and audit report regarding the Financial Statements have been issued. The Business Report, Financial Statements and Profit Allocation Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Holy Stone Enterprise Company Limited. In accordance to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby, submit this report.

Holy Stone's Annual Shareholdings' Meeting, 2022

Audit Committee of Holy Stone Enterprise Co., Ltd.

Chairman of Audit Committee: Ken-Yi Cheng

2022.03.09

IV. Financial Report of 2021

Please refer to page 118 to page 181 in this report

V. Consolidated Financial Report of 2021

Please refer to page 182 to page 256 in this report

VI. The Company and its Affiliated Companies have Incurred any Financial or Cash Flow Difficulties in 2021 and as of the Printing Date of this Annual Report

None

VII. Financial Status and Operating Results Analysis and Risk Events

I. Financial Status

Financial Status Analysis Table

Unit: Thousands NT\$

Item	Year	2021	2020	Difference	
				Amount	%
Current Asset		10,936,135	10,380,947	555,188	5.35
Financial Assets non-current		159,030	113,028	46,002	40.70
Property, Plant and Equipment		4,290,690	3,611,113	679,577	18.82
Other Assets		884,674	524,832	359,842	68.56
Total Assets		16,270,529	14,629,920	1,640,609	11.21
Current Liabilities		4,634,994	4,474,563	160,431	3.59
Long-Term Liabilities		1,373,338	440,502	932,836	211.77
Other Liabilities		177,475	171,049	6,426	3.76
Total Liabilities		6,185,807	5,086,114	1,099,693	21.62
Capital Stocks		1,579,908	1,579,908	0	0.00
Capital Surplus		3,140,525	3,109,960	30,565	0.98
Retained Earnings		5,307,317	4,640,401	666,916	14.37
The Translation of Financial Statements for Foreign Operations		(88,988)	(51,074)	(37,914)	(74.23)
Unrealized Valuation Gains and Losses on Financial Assets at Fair Value Through Profit or Loss		(74,866)	(71,310)	(3,556)	(4.99)
Uncontrollable Equity		220,826	335,921	(115,095)	(34.26)
Total Shareholders' Equity		10,084,722	9,543,806	540,916	5.67

Note : Analysis of significant changes in assets, liabilities and stockholders' equity accounts (the difference exceeds 20% and NT\$10million):

1. Financial Assets Non-Current increased by NT\$46million due to acquiring an increase in financial assets at fair value through profit or loss
2. Other assets increased by NT\$359.84million due to increase in prepaid equipments
3. Long-term liabilities increased by NT\$932.84million due to increase in long-term borrowing
4. The translation of Financial Statements for Foreign Operations increased by NT\$37.91million due to fluctuations of exchange rates
5. Uncontrollable equity reduced by NT\$115.1million due to recognized investment losses

II. Financial Operating Results

Financial Operating Results Analysis Table

Unit: Thousands of NT\$

Item \ Year	2021	2020	Amount Increased and or Decreased	Changing Ratio (%)
Net Sales	16,602,046	14,830,428	1,771,618	11.95
Cost of Goods Sold	12,926,647	(11,748,577)	1,178,070	10.03
Gross Profit	3,675,399	3,081,851	593,548	19.26
Operating Expense	(1,663,825)	(1,571,994)	91,831	5.84
Operating Income	2,011,574	1,509,857	501,717	33.23
Non-Operating Expense and Income	57,312	81,734	(24,422)	(29.88)
Income Before Income Tax From Continuing Operations	2,068,886	1,591,591	477,295	29.99
Income Tax Expense	(232,376)	(361,801)	(129,425)	(35.77)
Net Income From Continuing Operations	1,836,510	1,229,790	606,720	49.34
Other Comprehensive Income (Net Value After Tax)	(67,321)	5,356	(72,677)	(1,356.93)
Total Comprehensive Income for Current Period	1,769,189	1,235,146	534,043	43.24
<p>Note1: Analysis of changes in the most recent two years(the differences exceed 20% and NT\$10million):</p> <ol style="list-style-type: none"> 1. Operating income increased by NT\$501.72million due to increase in sales and gross profit 2. Non-operating expense and income reduced by NT\$24.42million due to decrease in the valuation of financial assets at fair value 3. Net income from continuing operation before and after tax increased respectively by NT\$477.30million and NT\$606.72million due to increase up sales and gross profit in the current period 4. Income tax expense reduced by NT\$129.43million due to recognition of income tax benefits from capital reduction of subsidiaries to make up for losses 5. Other comprehensive income reduced by NT\$72.68million due to increased exchange losses on financial reports of foreign operating agencies 6. Total comprehensive income for current period increased by NT\$534.04million due to increase in net profit for the current period <p>Note2: Possible impacts on the Company's future financial business: None</p> <p>Note3: Expected sales volume and basis in the coming year: no financial predictions were made therefore it is not applicable</p>				

III. Cash Flow Analysis

Cash Flow Analysis

Units: Thousands of NT\$

Beginning Cash Balance	Net Cash Provided by Operating Activities in 2021	Net Cash Outflow in 2021	Ending Cash Balance	Remedy for Cash Shortfall	
				Investment Plan	Financing Plan
4,459,782	1,579,053	(2,084,599)	3,954,236	-	-

1. Analysis of cash flow changes in the current year:
 (1) Net cash flow from operating activities throughout the year:
 (2) Annual Cash Flow:
 Mainly investment activities and financing activities, details are as below:
 i. Investment activities: generating cash outflow mainly due to the acquiring of plants and equipments
 ii. Financing activities: generating cash outflow due to the distribution of cash dividends

2. Liquidity Analysis:
 In 2021, net cash inflow from operating activities increased by NT\$677.83million.
 Cash Flow Ratio: 34.07%; Cash Flow Fair Ratio: 78.76%; Cash Reinvestment Ratio: 2.0%

3. Analysis of Cash Flow in the Coming Year: No financial prediction were made, therefore it is not applicable.

IV. Major Capital Expenditure

None

V. Long-Term Investment Policy and Results

Item	Information	Amount (Thousands of NT\$)	Policy	Root Causes of Profit or Loss	Improvement Action	Investment Plan
	Holy Stone Holdings Co., Ltd.	Recognition of Gain NT\$71.77million	Deploy other industries by reinvesting in Companies	Recognized net profit of the reinvested Company	N/A	The necessity of increasing investment in line with the assessment of the operation scale
	Uholy Investment Co., Ltd.	Recognition of Loss NT\$16million	Deploy other industries by reinvesting in Companies	Recognized loss of the reinvested Company	N/A	The necessity of increasing investment in line with the assessment of the operation scale
	Rong Jhan Investment Co., Ltd.	Recognition of Loss NT\$5.55million	Deploy other industries by reinvesting in Companies	Recognized loss of the reinvested Company	N/A	The necessity of increasing investment in line with the assessment of the operation scale

Note: The investment amount of the year exceeds 10% of the capital collected.

VI. Risk Management and Analysis

1. Impact Associated with Interest Rate Fluctuation, Foreign Exchange Volatility and Inflation on Corporate Net Income and Responsive Actions

Holy Stone's interest expense and loss on foreign exchange in 2021:

Unit: Thousands of NT\$	
Item	2021
Interest Expense	12,887
Loss on Foreign Exchange	37,257

Due to the lowness of the money market interest rate, the Company and the subsidiaries regularly evaluates the estimated borrowing rate, and keep close contact with banks to get between interests rates; the Company and the subsidiaries' ratio of annual interest expense to total operating income is 0.08%, therefore the possible impact that might be brought to the Company and the subsidiaries by the changes in interest rates is not significant. The Company and its subsidiaries monitors closely to the interest rates, exchange rate and inflations, and the following action will be taken if necessary:

A. Specialized personnel are assigned for Foreign Exchange Risks

B. Hedging Strategies for Foreign Exchange Risk:

- (1) Forecast foreign exchange rates trends and purchase or sell foreign currencies in advance through currency forward contracts
 - (2) Increase strong currencies held in the assets account (accounts receivable and bank deposits) and weak currencies held in the liabilities account (accounts payable and bank debt payable)
 - (3) Procurement department negotiates to purchases from suppliers with lower foreign exchange rate
 - (4) Consult foreign exchange rate hedging strategies irregularly eth international financial institutions
 - (5) Application of several real time quotation system systems for foreign exchange rate; such as, SysJust and XQ
2. Policies for high-risk, high-leverage investments, loan to others, endorsements, guarantees, and derivatives transaction, main reasons for the profits or losses generated thereby, and countermeasures:
1. The Company and its subsidiaries have not engaged in any high-risk, high-leverage investment transactions in 2021; no funds were lent to the others. Endorsement guarantee balance at the end of 2021 is NT\$384.6million, which is far lower than the regulated amounted stated in the Company and its subsidiaries' Guidelines for Lending Capitals and Guidelines for Endorsements and Guarantee.
 2. Engaged in derivative financial product transactions to enter into foreign exchange option contracts and pre-sale forward foreign exchange contracts, mainly to avoid the risk of exchange rate fluctuations of foreign currency creditor's rights and debts.
 3. In addition to prudent evaluation, regular reporting and monthly control, the implementation of relevant policies are in accordance to the Company and its subsidiaries' Guidelines for Handling Acquisition and Disposal of Assets, Guidelines for Lending Capitals and Guidelines for Endorsements and Guarantees.
3. Research and Development (R&D) projects and estimated R&D expenditures:
The Company and its subsidiaries continuously invests in the research and development of new products in hopes to meet the changes and the requests of the customers while enhance the market competitiveness of the Company and its subsidiaries. The estimated investments to be put into research and development is NT\$577million.
4. Impacts of changes in domestic and foreign government policies and laws on the Company's financial operations and future countermeasures:
Recent changes in domestic and foreign government policies and laws have not impacted the Company's financial operation. If encountered any possible risks, necessary countermeasures will be taken under careful monitor in the market change.

5. Impacts of industry and technology changes to the Company's financial operations and future countermeasures:
The Company and its subsidiaries will maintain a high degree of sensitivity to changes in industrial technology in order to reduce market risks and to respond quickly to meet customers' needs.
6. Impacts of changes in corporate image on the Company's crisis management and future countermeasures:
The Company and its subsidiaries uphold the principle of ethical operation as well as a conservative and prudent as the basic business direction, committed to enhancing the overall competitiveness of the Company and pursuing the sustainable management of the Company, therefore, no impacts were encountered due to the risks in changes of the image of the Company and its subsidiaries.
7. Expected benefits and potential risks related to mergers and acquisitions:
For the most recent years and as of the printing date of this annual report, the Company and its subsidiaries has no merge and acquisitions, if encountered in the future, merger benefits will be carefully assessed to ensure rights of the shareholders.
8. Expected benefits and potential risks of capacity expansion:
In order to continue the development of home-made products, expand revenue and profit grown, the Company increases the investment in plant and equipment according to the demand situation to improve production capacity, production efficiency and expand new application markets. Possible risks are the overall recession, slowdown in terminal demand, less than expected market demand and R&D progress. The Company will continue to develop higher-end niche products, and at the same time conduct new material research and development, production automation and process improvement to enhance cost competitiveness, and will expand production capacity after careful assessment of market demand.
9. Risk of procurement and sales concentration and future countermeasures:
To ensure the security of the source of supply and to efficiently spread out possible risks of product supply, the Company and its subsidiaries procure raw materials from various companies; furthermore, the Company's sales targets are well-known domestic manufacturers, and the customer base will be dispersed with the increase in sales, therefore, there is no potential risk of sales concentration.
10. Impacts and risks arising from major transfer or replacement of shares by directors, supervisors or shareholders with shareholdings more than 10% in the Company:
For the most recent years and as of the printing date of this annual report, the Company and its subsidiaries have not encountered cases alike.
11. Impact of changes in Company management and associated risks:
There are no risks alike for the Company and its subsidiaries for the most recent years and as of the printing date of this annual report.
12. Litigation and or Non-Litigation Event
The directors, supervisors, general managers, substantive persons in charge and major shareholders with a shareholding ratio of more than 10% for the Company and the subsidiaries, other than the noted information in the financial report about the anti-trust risk, there are no other significant risks involving litigation, non-litigation and administrative disputes in recent years up until the printing date of this annual report
13. Other Important Matters:
In the most recent years and as of the printing date of this annual report, the Company and its subsidiaries had no other important risk events.

VII. Others

None

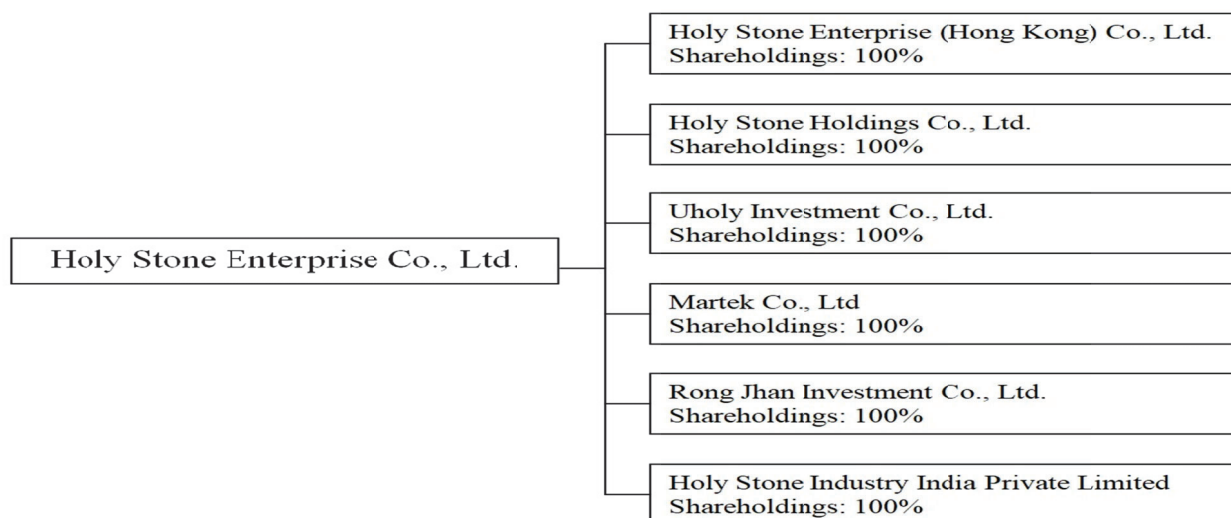
VIII.Special Notes

I. Affiliates

1. Affiliates Consolidated Operating Report

1. Holy Stone Affiliated Companies Chart

As of 2021.12.31



2.Information on the Affiliated Companies

Unit: HKD/ USD/ NTD/INR

Company	Establish Date	Place of Registration	Capital Stock	Business Activities
Holy Stone Enterprise (Hong Kong) Co., Ltd.	1998.12	Unit C, 7F Niche Centre,14 Wang Tai rd. Kowloon Bay, Hong Kong	HKD 11,500,000	MLCC and electronic components business
Holy Stone Holdings Co., Ltd.	2000.07	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 21,000,000	Investment Activities
Uholy Investment Co., Ltd.	2000.07	10F-10, No. 57, Lane 69, 2 nd Jingye rd. Zhong Shan district, Taipei, Taiwan	NTD 390,000,000	Investment Activities
Martek Co., Ltd	2008.02	1F, No.119, Jian Kang rd. Zhonghe District, New Taipei City, Taiwan	NTD 51,000,000	Wholesaling of electronic appliances, precision instruments, communication equipment and electronic materials
Rong Jhan Investment Co., Ltd.	2008.02	1F, No.56, Sec.2, Huanshan rd. Neihu District, Taipei, Taiwan	NTD 421,000,000	Investment Activities
Holy Stone Industry India Private Limited	2021.01	Tejas Arcade 2nd and 3rd floor, 1st Main Rd Subramanyanagar Ward 9, Bangalore, Bangalore, Karnataka, India, 560010	INR 74,000,000	Electronic component business

3.Common Shareholders of Holy Stone and its Subsidiaries or its Affiliates with Actual Deemed Control:

Not Applicable

4.Business Scope of Holy Stone and its Affiliated Companies:

Business scope of Holy Stone and the Subsidiaries include manufacturing and trading of MLCC; import and export of ICs, modules and other electronic components, and wholesale of medicine and medical instruments.

5.Information on Directors, Supervisors and General Managers of Holy Stone's
Affiliated Companies

Unit: Thousands of NT\$/ shares/ % as of 2021.12.31

Company	Title	Name	Shareholdings	
			Investment Amount/ Shares	Investment Holdings (%)
Holy Stone Enterprise (Hong Kong) Co., Ltd.	Director	Holy Stone Enterprise Co., Ltd. Representative: Jing-Rong Tang Yu-Min Wu	HKD 11,500,000/ 11,500,000	100%
Holy Stone Holdings Co., Ltd.	Director	Holy Stone Enterprise Co., Ltd. Representative: Jing-Rong Tang Yu-Min Wu	USD 21,000,000/21,000,000	100%
Uholy Investment Co., Ltd.	Director	Holy Stone Enterprise Co., Ltd. Representative: Jing-Rong Tang Steven Huang Alice Wang	390,000,000/ 39,000,000	100%
	Supervisor	Holy Stone Enterprise Co., Ltd. Representative: Contrina Chang	390,000,000/ 39,000,000	100%
Martek Co., Ltd.	Director	Holy Stone Enterprise Co., Ltd. Representative: Cheng-Hsing Li Jing-Rong Tang Steven Huang	51,000,000/ 5,100,000	100%
	Supervisor	Holy Stone Enterprise Co., Ltd. Representative: Yu-Min Wu	51,000,000/5,100,000	100%
Rong Jhan Investment Co., Ltd.	Director	Holy Stone Enterprise Co., Ltd. Representative: Jing-Rong Tang Shih-Yun Shen Steven Huang	421,000,000/42,100,000	100%
	Supervisor	Holy Stone Enterprise Co., Ltd. Representative: Yu-Min Wu	421,000,000/ 42,100,000	100%
Holy Stone Industry India Private Limited	Director	Holy Stone Enterprise Co., Ltd. Representative Lee-Yi Chen Eleanor Tan Ah Lay Ramesh Babu	INR 74,000,000/7,400,000	100%

2. Operational Highlights of Holy Stone Affiliated Companies

Units: Thousands of NT\$

Company	Paid-in Capital	Assets	Liabilities	Net Worth	Net Sales	Income from Operation	Net Income (Net of Tax)	EPS(NT\$) (Net of Tax)
Holy Stone Enterprise (Hong Kong) Co., Ltd.	49,046	580,650	218,553	362,097	1,081,440	5,618	19,623	1.71
Holy Stone Holdings Co., Ltd. (註 2)	634,970	1,761,567	1,129,566	632,001	4,475,414	95,353	76,705	3.65
Uholy Investment Co., Ltd.(Note2)	390,000	876,611	178,960	697,651	638,087	(165,963)	(130,116)	(3.34)
Martek Co., Ltd.	51,000	62,184	4,419	57,765	23,716	(384)	5,010	0.98
Rong Jhan Investment Co., Ltd.(Note2)	421,000	632,364	155,643	476,721	907,858	(1,916)	(8,044)	(0.19)
Holy Stone Industry India Private Limited	29,260	27,245	34	27,211	0	(469)	(241)	(0.03)

Note1: Foreign exchange rates were NT\$27.68 and NT\$28.0088 for US\$1 in Balance Sheet and Income Statement respectively

Note2: Information from affiliated companies is consolidated

II. Private Placement Securities in the Most Recent Five Years and as of the Printing Date of this Annual Report

None

III. Status of Holy Common Shares Acquired, Disposed of, and Held by Subsidiaries in the Most Recent Five Years and as of the Printing Date of this Annual Report

None

IV. Other Necessary Supplement

None

V. Any Events in the Most Recent Fiscal Year and as of the Printing Date of this Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 3 of Article 36 of Securities and Exchange Act of Taiwan

None

Independent Auditors' Report

To the Board of Directors of Holy Stone Enterprise Co., Ltd.:

Opinion

We have audited the financial statements of Holy Stone Enterprise Co., Ltd.(“the Company”), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of a subsidiary, which represented investment in another entity accounted for using the equity method of the Company. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the subsidiary, is based solely on the report of another auditor. The investment in the subsidiary accounted for using the equity method constituting 2.33% and 2.52% of total assets at December 31, 2021 and 2020, respectively, and the related share of profit of subsidiaries accounted for using the equity method constituting 0.91% and 1.16% of total profit before tax for the years then ended, respectively.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to Note 4(m) “Revenue from contracts with customers” for accounting policy and Note 6(s) “Revenue from contracts with customers” for details of revenue to the parent company only financial statements.

Description of key audit matter:

The Company engages primarily in the manufacturing and sales of MLCC, integrated circuits, modules, and other electronic components. The Operating Revenue is the main indicator for the investor to evaluate the financial and business performance of the Company. Therefore, it has been identified as a key audit matter.

How the matter was addressed in our audit:

Regarding the key audit matter mentioned above, our key audit procedures include understanding the design and implementation of internal control over revenue recognition and verifying the compliance of accounting policy; analyzing the changes in sales revenue from top ten clients and comparing them with those of the same period in the previous year to confirm whether or not there are significant exceptions or irregular transactions exist; examining the vouchers to determine the appropriate cut offs for revenue recognition within selected periods before and after the balance sheet date to evaluate whether the revenue was recorded in the appropriate period.

2. Impairment evaluation of accounts receivable

Please refer to Note 4(f)(i)(1) “Financial assets measured at amortized cost” ; Note 5(a) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” , and Note 6(d) “Notes and accounts receivables” to the parent company only financial statements.

Description of key audit matter:

The Company measured its accounts receivable by the recoverable amounts. Impairment evaluation of accounts receivable is one of the key judgmental areas for our audit, particularly in respect of the great influence of given the challenging industry climate. Due to the provision of bad debt allowance that is subject to the management’ s judgement, it is uncertain to have enough of information of recoverability before the issuance of the financial statements.

How the matter was addressed in our audit:

Our principal audit procedures included understanding the design and implementation of internal control; assessing the rationality of the provision policy and verifying the compliance of provision policy for accounts receivable allowance; examining the aging analysis table and checking the amount of receivables received after the balance date, as well as discussing with the management to assess the whether or not the provision is reasonable; evaluating the adequacy of the Company’ s disclosure for bad debt allowance.

3. Inventory valuation

Please refer to Note 4(g) “Inventories” ; Note 5(b) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” , and Note 6(f) “Inventories” to the parent company only financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value in the financial statements. However, with the rapid development of the consumer market and the volatility of sales, that may result in the cost of inventory may exceed its net realizable value. Therefore, it has been identified as a key audit matter.

How the matter was addressed in our audit:

Regarding the key audit matter mentioned above, our audit procedures included evaluating the reasonableness of the Company's inventory valuation policy and the management's assumption used when measuring allowance for inventory valuation and obsolescence losses; performing a retrospective review of the Company's historical accuracy of judgments with reference to inventory valuation and comparing them with the current year's calculation to evaluate the appropriateness of estimation and assumption used for inventory valuation; assessing the adequacy of the Company's disclosure for inventories.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management' s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company' s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsu, Ming-Fang and Chen, Pei-Chi.

KPMG

Taipei, Taiwan (Republic of China)

March 9, 2022

Notes to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HOLY STONE ENTERPRISE CO., LTD.

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (note 6(a))	\$ 2,903,284	19	3,412,615	25
1110 Current financial assets at fair value through profit or loss (note 6(b))	259,475	2	199,779	1
1150 Notes and accounts receivables, net (note 6(d)(s))	2,138,382	14	2,120,533	16
1180 Accounts receivable-related parties, net (note 6(d)(s) and 7)	618,020	4	495,098	4
1200 Other receivables, net (note 6(c))	126,761	1	92,758	1
130X Inventories (note 6(f))	2,802,115	18	1,990,735	15
1410 Prepayments and other current assets	15,042	-	25,284	-
Total current assets	8,863,079	58	8,336,802	62
Non-current assets:				
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	6,023	-	9,905	-
1550 Investments accounted for using the equity method (note 6(g))	2,100,984	14	1,928,011	14
1600 Property, plant and equipment (note 6(i) and 7)	3,810,478	26	3,160,713	24
1755 Right-of-use assets (note 6(j))	3,692	-	4,668	-
1840 Deferred tax assets (note 6(p))	40,448	-	50,126	-
1915 Prepayments for business facilities (note 7)	338,986	2	35,987	-
1990 Other non-current assets, others (note 8)	40,562	-	18,532	-
Total non-current assets	6,341,173	42	5,207,942	38
Total assets	\$ 15,204,252	100	13,544,744	100
Liabilities and Equity				
Current liabilities:				
Short-term borrowings (note 6(k))	\$ 1,682,790	11	1,903,447	14
Current contract liabilities (note 6(s))	26,911	-	12,540	-
Accounts payable	941,407	6	869,532	6
Accounts payable to related parties (note 7)	222,016	2	87,260	1
Other payables (note 6(l))	941,414	6	715,780	5
Current tax liabilities	8,501	-	179,604	1
Current lease liabilities (note 6(n))	2,447	-	2,388	-
Total current liabilities	3,825,486	25	3,770,551	27
Non-Current liabilities:				
Long-term borrowings (note 6(m))	1,367,608	9	423,932	3
Deferred tax liabilities (note 6(p))	80,981	1	68,211	1
Non-current lease liabilities (note 6(n))	1,292	-	2,318	-
Net defined benefit liability, non-current (note 6(o))	64,983	-	71,841	1
Other non-current liabilities, others	6	-	6	-
Total non-current liabilities	1,514,870	10	566,308	5
Total liabilities	5,340,356	35	4,336,859	32
Equity (note 6(o)(q)):				
Ordinary share	1,579,908	10	1,579,908	12
Capital surplus	3,140,525	21	3,109,960	23
Retained earnings:				
Legal reserve	1,638,205	11	1,638,205	12
Special reserve	122,384	1	128,821	1
Unappropriated retained earnings	3,546,728	23	2,873,375	21
Total retained earnings	5,307,317	35	4,640,401	34
Other equity:				
Exchange differences on translation of foreign financial statements	(88,988)	(1)	(51,074)	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(74,866)	-	(71,310)	(1)
Total other equity	(163,854)	(1)	(122,384)	(1)
Total equity	9,863,896	65	9,207,885	68
Total liabilities and equity	\$ 15,204,252	100	13,544,744	100

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HOLY STONE ENTERPRISE CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
4000 Operating revenue (note 6(s) and 7)	\$ 13,845,582	100	12,389,397	100
5000 Operating costs (note 6(f)(o), 7 and 12)	<u>10,717,338</u>	<u>77</u>	<u>9,740,094</u>	<u>79</u>
Gross profit	3,128,244	23	2,649,303	21
5910 Unrealized profit (loss) from sales	<u>12,895</u>	<u>-</u>	<u>(20,655)</u>	<u>-</u>
Net gross profit	<u>3,141,139</u>	<u>23</u>	<u>2,628,648</u>	<u>21</u>
Operating expenses (note 6(o)(t), 7 and 12):				
6100 Selling and administrative expenses	878,492	6	734,439	6
6300 Research and development expenses	197,958	2	188,907	2
6450 Expected credit loss (note 6(d))	<u>261</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>1,076,711</u>	<u>8</u>	<u>923,346</u>	<u>8</u>
Net operating income	<u>2,064,428</u>	<u>15</u>	<u>1,705,302</u>	<u>13</u>
Non-operating income and expenses:				
7020 Other gains and losses, net	(3,785)	-	16,811	-
7050 Finance costs	(8,297)	-	(13,601)	-
7070 Share of profit (loss) of subsidiaries accounted for using the equity method	86,187	1	(78,445)	(1)
7100 Interest income	<u>11,028</u>	<u>-</u>	<u>12,832</u>	<u>-</u>
Total non-operating income and expenses	<u>85,133</u>	<u>1</u>	<u>(62,403)</u>	<u>(1)</u>
7900 Profit before tax	2,149,561	16	1,642,899	12
7950 Less: Income tax expenses(note 6(p))	<u>197,144</u>	<u>2</u>	<u>330,554</u>	<u>3</u>
Profit	<u>1,952,417</u>	<u>14</u>	<u>1,312,345</u>	<u>9</u>
8300 Other comprehensive income (loss):				
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss:				
8311 Losses on remeasurements of defined benefit plans	(13,811)	-	(7,746)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(11,225)	-	8,646	-
8330 Share of other comprehensive income of subsidiaries accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss	(95)	-	(145)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>1,571</u>	<u>-</u>
Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>(25,131)</u>	<u>-</u>	<u>2,326</u>	<u>-</u>
8360 Components of other comprehensive income (loss) that may not be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(37,914)	-	(3,780)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total components of other comprehensive income (loss) that may be reclassified to profit or loss	<u>(37,914)</u>	<u>-</u>	<u>(3,780)</u>	<u>-</u>
8300 Other comprehensive income, net of tax	<u>(63,045)</u>	<u>-</u>	<u>(1,454)</u>	<u>-</u>
8500 Total comprehensive income	<u>\$ 1,889,372</u>	<u>14</u>	<u>1,310,891</u>	<u>9</u>
Earnings per share (note 6(r))				
9750 Basic earnings per share (NT dollars)	<u>\$ 12.36</u>		<u>8.31</u>	
9850 Diluted earnings per share (NT dollars)	<u>\$ 12.16</u>		<u>8.20</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HOLY STONE ENTERPRISE CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Other equity			Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	
Balance at January 1, 2020	\$ 1,579,908	3,402,323	1,638,205	132,916	2,372,512	(47,294)	(81,527)	8,997,043
Profit	-	-	-	-	1,312,345	-	-	1,312,345
Other comprehensive income	-	-	-	-	(7,891)	(3,780)	10,217	(1,454)
Total comprehensive income	-	-	-	-	1,304,454	(3,780)	10,217	1,310,891
Appropriation and distribution of retained earnings:								
Cash dividends of ordinary shares	-	-	-	-	(789,954)	-	-	(789,954)
Reversal of special reserve	-	-	-	(4,095)	4,095	-	-	-
Other changes in capital surplus:								
Cash dividends from capital surplus	-	(315,982)	-	-	-	-	-	(315,982)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(17,729)	-	-	(17,729)
Changes in ownership interests in subsidiaries	-	23,619	-	-	(3)	-	-	23,616
Balance at December 31, 2020	\$ 1,579,908	3,109,960	1,638,205	128,821	2,873,375	(51,074)	(71,310)	9,207,885
Profit	-	-	-	-	1,952,417	-	-	1,952,417
Other comprehensive income	-	-	-	-	(13,906)	(37,914)	(11,225)	(63,045)
Total comprehensive income	-	-	-	-	1,938,511	(37,914)	(11,225)	1,889,372
Appropriation and distribution of retained earnings:								
Cash dividends of ordinary shares	-	-	-	-	(1,263,926)	-	-	(1,263,926)
Reversal of special reserve	-	-	-	(6,437)	6,437	-	-	-
Changes in ownership interests in subsidiaries	-	30,565	-	-	(7,669)	-	7,669	30,565
Balance at December 31, 2021	\$ 1,579,908	3,140,525	1,638,205	122,384	3,546,728	(88,988)	(74,866)	9,863,896

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

HOLY STONE ENTERPRISE CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Profit before tax	\$ 2,149,561	1,642,899
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	482,487	462,578
Expected credit loss	261	-
Net gain on financial assets at fair value through profit or loss	(9,897)	(22,264)
Interest expense	8,297	13,601
Interest revenue	(11,028)	(12,832)
Dividend revenue	(1,173)	(499)
Share of profit (loss) of subsidiaries, accounted for using the equity method	(86,187)	78,445
Gain from disposal of property, plant and equipment	-	(78)
Gain on disposal of investments	-	(84)
Unrealized profit (loss) from sales	(12,895)	20,655
Total adjustments to reconcile profit (loss)	<u>369,865</u>	<u>539,522</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Current financial assets at fair value through profit or loss	(45,917)	(40,188)
Notes and accounts receivable	(18,110)	(314,664)
Accounts receivable-related parties	(122,922)	(58,785)
Other receivables	(34,523)	42,223
Inventories	(811,380)	250,861
Prepayments and other current assets	10,242	(14,437)
Total changes in operating assets	<u>(1,022,610)</u>	<u>(134,990)</u>
Changes in operating liabilities:		
Contract liabilities	14,371	(23,550)
Accounts payable	71,875	218,329
Accounts payable to related parties	134,756	2,918
Other payables	225,752	16,013
Net defined benefit liability	(20,669)	(2,147)
Total changes in operating liabilities	<u>426,085</u>	<u>211,563</u>
Net changes in operating assets and liabilities	<u>(596,525)</u>	<u>76,573</u>
Total adjustments	<u>(226,660)</u>	<u>616,095</u>
Cash inflow generated from operations	1,922,901	2,258,994
Interest received	11,548	12,763
Dividends received	1,173	499
Interest paid	(8,415)	(13,510)
Income taxes paid	(345,799)	(280,284)
Net cash flows from operating activities	<u>1,581,408</u>	<u>1,978,462</u>
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through profit or loss	-	(20,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	20,000
Acquisition of investments accounted for using the equity method	(99,182)	(1,191,485)
Proceeds from disposal of investments accounted for using the equity method	-	274
Acquisition of property, plant and equipment	(1,130,206)	(670,468)
Proceeds from disposal of property, plant and equipment	1,204	136
Increase in other non-current assets, others	(22,030)	(7,030)
Increase in prepayments for business facilities	(302,999)	(28,035)
Dividends received	6,622	17
Net cash flows used in investing activities	<u>(1,546,591)</u>	<u>(1,896,591)</u>
Cash flows used in financing activities:		
(Decrease) increase in short-term borrowing	(220,657)	604,799
Proceeds from long-term borrowings	943,676	723,932
Repayments of long-term borrowings	-	(350,000)
Payment of lease liabilities	(3,241)	(3,227)
Cash dividends paid	(1,263,926)	(1,105,936)
Net cash flows used in financing activities	<u>(544,148)</u>	<u>(130,432)</u>
Net decrease in cash and cash equivalents	<u>(509,331)</u>	<u>(48,561)</u>
Cash and cash equivalents at beginning of period	<u>3,412,615</u>	<u>3,461,176</u>
Cash and cash equivalents at end of period	<u>\$ 2,903,284</u>	<u>3,412,615</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
HOLY STONE ENTERPRISE CO., LTD.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Holy Stone Enterprise Co., Ltd. (the “Company”) was legally established with the approval of the Ministry of Economic Affairs (R.O.C.) on June 1, 1981, with registered address at 1F., No.62, Sec. 2, Huang Shan Rd., Nei Hu Dist, Taipei City, Taiwan (R.O.C.). The major business activities of the Company are manufacturing and sales of MLCC, integrated circuits, modules, and other electronic components.

(2) Approval date and procedures of the financial statements:

The parent company only financial statements were authorized for issue by the Board of Directors on March 9, 2022.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

(b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018 – 2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent company only financial statements are summarized as follows. And the accounting policies have been applied consistently to all periods presented in these parent company only financial statements, except for which explained specially.

(a) Statement of compliance

The parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations").

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities (at assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(n).

(ii) Functional and presentation currency

The functional currency of the Company entity is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(Continued)

HOLY STONE ENTERPRISE CO., LTD.

Notes to the Parent Company Only Financial Statements

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- it is contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company, therefore, those receivables are measured at FVOCI. However, they are included in the 'trade receivables' line item.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

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3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Accounts receivables that the Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'accounts receivables' line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

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The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

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(i) Investment in subsidiaries

When preparing the parent Company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings and structures	3~50 years
2) Machinery and equipment	1~8 years
3) Other facilities	1~20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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(k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modification

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When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(i) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

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The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods

The Company manufactures and sells MLCC, integrated circuits, modules and other electronic components. The Company recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

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The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

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(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(p) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

(q) Operating segments

The Company discloses the operating segments information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statement.

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(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of parent company only financial statements in conformity with the Regulations require management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in financial statements is as follows:

(a) Impairment of accounts receivable

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. When the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to note 6(d) for further description of the impairment of accounts receivable.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(f) for further description of the valuation of inventories.

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(u) for assumptions used in measuring fair value.

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 2,270	842
Demand and check deposit	1,237,014	1,832,373
Time deposit	1,664,000	1,579,400
	<u>\$ 2,903,284</u>	<u>3,412,615</u>

Please refer to note 6(u) for the disclosure of the interest rate risk and the sensitivity analysis for financial assets and liabilities.

(b) Financial assets at fair value through profit or loss

	December 31, 2021	December 31, 2020
Current:		
Domestic stocks	\$ 55,350	42,400
Fund beneficiary certificates	204,125	157,379
	<u>\$ 259,475</u>	<u>199,779</u>
Non-current :		
Foreign listed stocks	<u>\$ 6,023</u>	<u>9,905</u>

(c) Financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Foreign unlisted stocks	<u>\$ -</u>	<u>-</u>

(i) Equity investments at fair value through other comprehensive income

The Company designated the investment shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purpose.

(ii) For credit risk and market risk, please refer to note 6(u).

(iii) As of December 31, 2021 and 2020, the aforementioned financial assets were not pledged as collateral.

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(d) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 38,519	37,687
Accounts receivable	2,113,094	2,095,816
Accounts receivable to related parties	618,020	495,098
Less: loss allowance	<u>(13,231)</u>	<u>(12,970)</u>
	<u>\$ 2,756,402</u>	<u>2,615,631</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information. The loss allowance provisions were determined as follows:

	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted-avera ge loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 2,750,132	0%~3%	2,210
1 to 30 days past due	14,134	0%~40%	5,654
31 to 60 days past due	769	100%	769
More than 61 days past due	<u>4,598</u>	100%	<u>4,598</u>
	<u>\$ 2,769,633</u>		<u>13,231</u>

	<u>December 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted-avera ge loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 2,612,014	0%~3%	2,181
1 to 30 days past due	9,663	0%~40%	3,865
31 to 60 days past due	859	100%	859
More than 61 days past due	<u>6,065</u>	100%	<u>6,065</u>
	<u>\$ 2,628,601</u>		<u>12,970</u>

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The movements in the allowance for notes and accounts receivable were as follows:

	For the years ended December 31,	
	2021	2020
Balance at January 1	\$ 12,970	13,000
Impairment losses recognized	261	-
Amounts written off	-	(30)
Balance at December 31	\$ 13,231	12,970

As of December 31, 2021 and 2020, the notes and accounts receivable of the Company were not pledged as collaterals.

For further credit risk information, please refer to note 6(u).

(e) Other receivables

	December 31, 2021	December 31, 2020
Income tax refund receivables	\$ 59,807	52,813
Purchase discount receivable	66,093	38,564
Interest receivables	861	1,381
	\$ 126,761	92,758

For further credit risk information, please refers to note 6(u).

(f) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$ 283,617	152,913
Supplies	29,553	24,972
Work in progress	201,170	187,129
Semi-finished goods	48,137	92,720
Finished goods	829,490	597,237
Merchandise	1,410,148	935,764
	\$ 2,802,115	1,990,735

For the years ended December 31, 2021 and 2020 the Company recognized cost of sales and operating expense amounted to \$10,715,876 and \$9,742,469, respectively. For the years ended December 31, 2021 and 2020 , the gain of \$38,991 and \$23,893 were recognized from the reversal of provision arising from scrapping, where in such loss were included in cost of sales.

As of December 31, 2021 and 2020, the inventories were not pledged.

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
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(g) Investments accounted for using the equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	\$ 1,973,376	1,875,250
Associates	127,608	52,761
	<u>\$ 2,100,984</u>	<u>1,928,011</u>

Please refer to the consolidated financial statements for the year ended December 31, 2021.

As of December 31, 2021 and 2020, the Company did not provide any investment accounted for using the equity method as collateral for its loans.

(h) Changes in a parent's ownership interest in a subsidiary

(i) Acquisitions of NCI

In October 2020, the Company acquired an additional interest in Uholy Investment Co., Ltd. for \$247,500 in cash, increasing the shareholding ratio from 57.69% to 100%. The Company did not have any transaction with non-controlling interests in 2021.

The effects of the changes in shareholdings were as follows:

	<u>2020</u>
Carrying amount on acquisition	\$ 229,771
Consideration	<u>(247,500)</u>
Retained earnings – differences between consideration and carrying amounts subsidiaries acquired	<u>\$ (17,729)</u>

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
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(i) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Other facilities</u>	<u>Construction in progress and testing equipment</u>	<u>Total</u>
Cost:						
January 1, 2021	\$ 716,348	1,308,542	3,412,150	357,600	710,419	6,505,059
Additions	-	-	2,179	15,487	1,112,540	1,130,206
Reclassification	-	16,336	82,409	28,012	(126,757)	-
Disposal	-	(3,154)	(22,644)	(7,951)	-	(33,749)
Balance at December 31, 2021	<u>\$ 716,348</u>	<u>1,321,724</u>	<u>3,474,094</u>	<u>393,148</u>	<u>1,696,202</u>	<u>7,601,516</u>
Balance at January 1, 2020	\$ 716,348	1,290,879	3,255,204	337,651	-	5,600,082
Additions	-	1,238	-	8,015	661,215	670,468
Reclassification	-	17,378	164,764	22,444	49,204	253,790
Disposal	-	(953)	(7,818)	(10,510)	-	(19,281)
Balance at December 31, 2020	<u>\$ 716,348</u>	<u>1,308,542</u>	<u>3,412,150</u>	<u>357,600</u>	<u>710,419</u>	<u>6,505,059</u>
Accumulated depreciation:						
January 1, 2021	\$ -	482,054	2,567,598	294,694	-	3,344,346
Depreciation	-	68,399	363,921	46,917	-	479,237
Disposal	-	(3,154)	(22,644)	(6,747)	-	(32,545)
Balance at December 31, 2021	<u>\$ -</u>	<u>547,299</u>	<u>2,908,875</u>	<u>334,864</u>	<u>-</u>	<u>3,791,038</u>
Balance at January 1, 2020	\$ -	408,630	2,230,064	265,540	-	2,904,234
Depreciation	-	74,377	345,294	39,664	-	459,335
Disposal	-	(953)	(7,760)	(10,510)	-	(19,223)
Balance at December 31, 2020	<u>\$ -</u>	<u>482,054</u>	<u>2,567,598</u>	<u>294,694</u>	<u>-</u>	<u>3,344,346</u>
Carrying amounts:						
Balance at December 31, 2021	<u>\$ 716,348</u>	<u>774,425</u>	<u>565,219</u>	<u>58,284</u>	<u>1,696,202</u>	<u>3,810,478</u>
Balance at January 1, 2020	<u>\$ 716,348</u>	<u>882,249</u>	<u>1,025,140</u>	<u>72,111</u>	<u>-</u>	<u>2,695,848</u>
Balance at December 31, 2020	<u>\$ 716,348</u>	<u>826,488</u>	<u>844,552</u>	<u>62,906</u>	<u>710,419</u>	<u>3,160,713</u>

As of December 31, 2021 and 2020, the property, plant and equipment of the Company were not pledged as collateral.

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
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(j) Right-of-use assets

Information about leases for which the Company as a lessee was presented below:

	Buildings and construction
Cost:	
Balance at January 1, 2021	\$ 11,150
Additions	2,274
Balance at December 31, 2021	<u>\$ 13,424</u>
Balance at January 1, 2020	\$ 5,758
Additions	5,392
Balance at December 31, 2020	<u>\$ 11,150</u>
Accumulated depreciation:	
Balance at January 1, 2021	\$ 6,482
Depreciation for the year	3,250
Balance at December 31, 2021	<u>\$ 9,732</u>
Balance at January 1, 2020	\$ 3,239
Depreciation for the year	3,243
Balance at December 31, 2020	<u>\$ 6,482</u>
Carrying amount:	
Balance at December 31, 2021	<u>\$ 3,692</u>
Balance at January 1, 2020	<u>\$ 2,519</u>
Balance at December 31, 2020	<u>\$ 4,668</u>

(k) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2021	December 31, 2020
Unsecured bank loans	<u>\$ 1,682,790</u>	<u>1,903,447</u>
Unused short-term credit lines	<u>\$ 2,504,690</u>	<u>1,933,132</u>
Range of interest rates	<u>0.49%~0.8%</u>	<u>0.4%~2.79%</u>

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

(l) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Employee bonus payable	\$ 344,106	335,352
Compensation due to directors and supervisors	49,133	37,552
Payables on machinery and equipment	155,121	32,243
Salaries and bonus payables	143,210	67,094
Professional service payables	1,894	3,598
Commission payables	1,358	3,573
Labor/health insurance payables	19,053	15,503
Others	227,539	220,865
	<u><u>\$ 941,414</u></u>	<u><u>715,780</u></u>

(m) Long-term borrowings

The details were as follows:

	<u>December 31, 2021</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	NTD	0.4%	116~117	<u>\$ 1,367,608</u>
Unused long-term credit lines				<u>\$ 632,392</u>
	<u>December 31, 2020</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	NTD	0.4%	116	<u>\$ 423,932</u>
Unused long-term credit lines				<u>\$ 1,576,068</u>

(n) Lease liabilities

The Company's finance lease liabilities were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current	<u>\$ 2,447</u>	<u>2,388</u>
Non-current	<u>\$ 1,292</u>	<u>2,318</u>

For the maturity analysis, please refer to note 6(u).

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

The amounts recognized in profit or loss were as follows:

	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	<u>\$ 78</u>	<u>88</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 3,724</u>	<u>3,709</u>

The amounts recognized in the statement of cash flows for the Company were as follows:

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	<u>\$ 7,043</u>	<u>7,024</u>

(i) Real estate leases

As of December 31, 2021, the Company leases buildings for its office space. The leases of office space typically run for a period of 1 to 2 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Company leases other facilities with one year. These leases are short-term and/or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) Employee benefits

(i) Defined benefit plans

The reconciliation of defined benefit obligation at present value and plan asset at fair value is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of the defined benefit obligations	<u>\$ 180,510</u>	<u>185,659</u>
Fair value of plan assets	<u>(115,527)</u>	<u>(113,818)</u>
	64,983	71,841
Effect of the asset ceiling	<u>-</u>	<u>-</u>
Net defined benefit liabilities	<u>\$ 64,983</u>	<u>71,841</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(Continued)

HOLY STONE ENTERPRISE CO., LTD.

Notes to the Parent Company Only Financial Statements

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$110,582 as of December 31, 2021. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Company were as follows:

	2021	2020
Defined benefit obligations at January 1	\$ 185,659	176,106
Current service costs and interest cost	1,641	2,628
Remeasurements loss (gain):		
— Actuarial loss (gain) arising from: financial assumptions	15,418	10,478
Benefits paid	(22,208)	(3,553)
Defined benefit obligations at December 31	\$ 180,510	185,659

3) Movements in fair value of plan assets

The movements in the value of the plan assets for the Company were as follows:

	2021	2020
Fair value of plan assets at January 1	\$ 113,818	109,864
Interest income	405	894
Remeasurements loss (gain):		
— Return on plan assets excluding interest income	1,607	2,733
Contributions paid by the employer	3,934	3,880
Benefits paid	(4,237)	(3,553)
Fair value of plan assets at December 31	\$ 115,527	113,818

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

4) Movements of the effect of the asset ceiling

There is no change in the effect of the asset ceiling for 2021 and 2020.

5) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2021	2020
Current service costs	\$ 991	1,219
Net interest of net liabilities for defined benefit obligations	245	515
	\$ 1,236	1,734
	2021	2020
Operating cost	\$ 1,448	1,447
Operating expenses	(212)	287
	\$ 1,236	1,734

6) Remeasurement of net defined benefit liability recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability recognized in other comprehensive income were as follows:

	2021	2020
Accumulated amount at January 1	\$ (88,280)	(80,534)
Recognized during the period	(13,811)	(7,746)
Accumulated amount at December 31	\$ (102,091)	(88,280)

7) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.650%	0.350%
Future salary increase rate	2.500%	2.500%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$3,900.

The weighted-average lifetime of the defined benefits plans is 12 years.

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HOLY STONE ENTERPRISE CO., LTD.

Notes to the Parent Company Only Financial Statements

8) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligation	
	Increased 0.25%	Decreased 0.25%
December 31, 2021		
Discount rate	\$ 4,029	(4,167)
Future salary increasing (decreasing)	(3,989)	3,878
December 31, 2020		
Discount rate	4,434	(4,592)
Future salary increasing (decreasing)	(4,385)	4,258

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contribution to the Bureau of the Labor Insurance amounted to \$36,477 and \$31,938 for the years ended December 31, 2021 and 2020, respectively.

(p) Income taxes

(i) Income tax expense

1) The components of income tax in the years 2021 and 2020 were as follows:

	2021	2020
Current tax expense		
Current period	\$ 174,696	317,203
Deferred tax expense		
Origination and reversal of temporary differences	22,448	13,351
	\$ 197,144	330,554

(Continued)

HOLY STONE ENTERPRISE CO., LTD.

Notes to the Parent Company Only Financial Statements

- 2) The amount of income tax recognized in other comprehensive income for 2021 and 2020 was as follows:

	2021	2020
Items that will not be reclassified to profit or loss:		
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	\$ -	1,571

- 3) The reconciliation of income tax and profit before tax for 2021 and 2020 is as follows:

	2021	2020
Profit before tax	\$ 2,149,561	1,642,899
Income tax using the Company's domestic tax rate	\$ 429,912	328,580
Change in unrecognized temporary differences	(165,724)	18,130
Adjustment for prior periods	(479)	6,933
Others	(66,565)	(23,089)
	\$ 197,144	330,554

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020
Tax effect of deductible Temporary Differences	\$ 48	165,395

- 2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

	Allowance for inventory valuation losses	Others	Total
Deferred tax assets:			
Balance at January 1, 2021	\$ 39,867	10,259	50,126
Recognized in profit or loss	(7,798)	(1,880)	(9,678)
Balance at December 31, 2021	\$ 32,069	8,379	40,448

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

	Allowance for inventory valuation		
	losses	Others	Total
Balance at January 1, 2020	\$ 44,645	13,448	58,093
Recognized in profit or loss	(4,778)	(4,760)	(9,538)
Recognized in other comprehensive income	-	1,571	1,571
Balance at December 31, 2020	<u>\$ 39,867</u>	<u>10,259</u>	<u>50,126</u>
	Profit or loss of subsidiary in equity method		
	Others	Total	
Deferred tax liabilities:			
Balance at January 1, 2021	\$ 68,211	-	68,211
Recognized in profit or loss	10,115	2,655	12,770
Balance at December 31, 2021	<u>\$ 78,326</u>	<u>2,655</u>	<u>80,981</u>
Balance at January 1, 2020	\$ 64,398	-	64,398
Recognized in profit or loss	3,813	-	3,813
Balance at December 31, 2020	<u>\$ 68,211</u>	<u>-</u>	<u>68,211</u>

(iii) Assessment of tax

The Company's tax returns for the years through 2018 were assessed by the Taipei National Tax Administration.

(q) Capital and other equity

As of December 31, 2021 and 2020, the total value of authorized ordinary shares each amounted to of \$4,500,000, respectively, with a par value of \$10 per share, of which 450,000 thousand shares. In addition, the issuance of ordinary shares each consisted of 157,991 thousand shares. All issued shares were paid up upon issuance.

The reconciliation of outstanding shares for 2021 and 2020 was as follows:

	Ordinary shares (in thousand of shares)	
	2021	2020
Balance on December 31	<u>157,991</u>	<u>157,991</u>

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

(i) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Share capital	\$ 1,108,172	1,108,172
Additional paid-in capital arising from bond conversion	1,500,091	1,500,091
Capital surplus from merger	144,225	144,225
Employee share options	188,297	188,297
Employee compensation transferred to capital	15,410	15,410
Gain or loss on disposal of subsidiary share options	54,184	23,619
Expired share/stock options	130,146	130,146
	<u>\$ 3,140,525</u>	<u>3,109,960</u>

The Company decided to distribute cash dividends \$315,982 by capital surplus via the general meeting of shareholders held on June 9, 2020.

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

According to the Company's article of incorporation, if there is a surplus considering all accounts by the end of a fiscal year, the surplus shall be allocated in the following order:

- 1) Offset accumulated deficits from previous years.
- 2) 10% is to be appropriated as legal reserve, unless reserve has reached total paid-in capital.
- 3) Allocate a portion to special capital reserve, as required by relevant laws and regulations.
- 4) Any remaining profit together with any undistributed retained earnings, including the adjusted unappropriated retained earnings, after deduction of items (1) to (3) shall be allocated to shareholders according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval, wherein the distributable dividend and bonus may be paid by issuing new shares.

(Continued)

HOLY STONE ENTERPRISE CO., LTD.

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According to Article 240, paragraphs 5 of Company Act, the distributable dividends and bonus, in whole or in part, or the legal reserve and capital reserved, in whole or in part, which are brought in Article 241, paragraphs 1 of Company Act, may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting.

The Company formulated its dividend policy by considering the mid-to-long term operating growth and capital need for investing activities, together with the purpose of healthy financial structure. The board drafts an earnings distribution plan and proposes it to the annual general shareholders' meeting. The appropriation of the Company's net income may be distributed by ways of cash dividend and/or stock dividends considering future capital demand and stock dilution. Stock dividend accounts for 0% to 50% of total dividends, while cash dividend accounts for 50% to 100% of total dividends.

If there is no retained earnings to be distributed, or there is but way below the actual distribution from last fiscal year, or any concern with regard to finance/business/operation, the reserve could be distributed in accordance with regulations and authorities.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing fund, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with the regulations of the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amounts of cash dividends on the appropriation of earnings for 2020 and 2019 had been approved during the board meeting on March 10, 2021 and March 11, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	2020		2019	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 8.00	<u>1,263,926</u>	5.00	<u>789,954</u>

(Continued)

HOLY STONE ENTERPRISE CO., LTD.

Notes to the Parent Company Only Financial Statements

The amount of cash dividends on appropriation of earning for 2021 been approved during the board meeting on March 9, 2022. The relevant dividend distribution to shareholders were as follows:

	2021	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 9.00	1,421,917

(iii) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2021	\$ (51,074)	(71,310)	(122,384)
Exchange differences on foreign operations:			
The Company	(37,914)	-	(37,914)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
Subsidiaries	-	(11,225)	(11,225)
Disposal of investments in equity instruments designated at fair value through other comprehensive income			
Subsidiaries	-	7,669	7,669
Balance at December 31, 2021	\$(88,988)	(74,866)	(163,854)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2020	\$ (47,294)	(81,527)	(128,821)
Exchange differences on foreign operations:			
The Company	(3,780)	-	(3,780)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Company	-	(6,283)	(6,283)
Subsidiaries	-	16,500	16,500
Balance at December 31, 2020	\$(51,074)	(71,310)	(122,384)

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
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(r) Earnings per share

(i) Basic earnings per share

1) Profit attributable to ordinary shareholders of the Company

	2021	2020
Profit attributable to ordinary shareholders of the Company	\$ 1,952,417	1,312,345

2) Weighted average number of outstanding ordinary shares

	2021	2020
(In thousands of shares) Weighted average number of ordinary shares at December 31	157,991	157,991

(ii) Diluted earnings per share

1) Profit attributable to ordinary shareholders of the Company

	2021	2020
Profit attributable to ordinary shareholders of the Company (basic)	\$ 1,952,417	1,312,345

2) Weighted average number of ordinary shares (diluted)

	2021	2020
(in thousands of shares) Weighted average number of ordinary shares (basic)	157,991	157,991
Effect of employee share bonus	2,507	1,964
Weighted average number of ordinary shares (diluted) at December 31	160,498	159,955

(s) Revenue from contracts with customers

(i) Details of revenue

	2021	2020
	Electronic department	Electronic department
Major products/service lines:		
Passive components	\$ 5,485,379	4,927,574
Active components	4,297,662	3,657,562
System and modules	2,967,514	2,360,854
others	1,095,027	1,443,407
	\$ 13,845,582	12,389,397

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivables	\$ 38,519	37,687	37,191
Accounts receivables	2,113,094	2,095,816	1,781,678
Accounts receivables to related parties	618,020	495,098	436,313
Less: loss allowance	(13,231)	(12,970)	(13,000)
Total	<u>\$ 2,756,402</u>	<u>2,615,631</u>	<u>2,242,182</u>
Contract liabilities	<u>\$ 26,911</u>	<u>12,540</u>	<u>36,090</u>

For details on notes and accounts receivable and allowance for impairment, please refer to note 6(d).

(t) Remuneration to employees, directors and supervisors

In accordance with the articles of incorporation the Company should contribute no less than 7% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, including the adjusted unappropriated retained earnings, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. Employee compensation, directors' and supervisors' remuneration may be paid in cash or share after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto, a report of such distribution shall only be submitted to the shareholders' meeting. The directors' and supervisors' remuneration should only be paid in cash. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$257,947 and \$197,148, and directors' and supervisors' remuneration amounting to \$49,133 and \$37,552, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors, as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during each period. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2021 and 2020.

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HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The Company's majority customers are in high-tech industries, to reduce concentration of credit risk, the Company evaluates customers' financial positions periodically and requires its customers to provide collateral or promissory notes, if necessary.

3) Receivables

For credit risk exposure of note and accounts receivables, please refer to note 6(d).

Other financial assets at amortized cost include other receivables.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period is limited to 12 months expected losses.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including the impact of estimated interest payments.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 1,682,790	1,684,305	1,684,305	-	-
Current contract liabilities	26,911	26,911	26,911	-	-
Accounts payable	941,407	941,407	941,407	-	-
Accounts payable to related parties	222,016	222,016	222,016	-	-
Other payables	941,414	941,414	941,414	-	-
Lease liabilities	3,739	3,795	2,484	1,311	-
Long-term borrowings	1,367,608	1,389,403	5,470	1,032,338	351,595
	<u>\$ 5,185,885</u>	<u>5,209,251</u>	<u>3,824,007</u>	<u>1,033,649</u>	<u>351,595</u>
December 31, 2020					
Non-derivative financial liabilities					
Short-term borrowings	\$ 1,903,447	1,905,119	1,905,119	-	-
Current contract liabilities	12,540	12,540	12,540	-	-
Accounts payable	869,532	869,532	869,532	-	-
Accounts payable to related parties	87,260	87,260	87,260	-	-
Other payables	715,780	715,780	715,780	-	-
Lease liabilities	4,706	4,820	2,453	2,367	-
Long-term borrowings	423,932	431,527	1,696	268,208	161,623
	<u>\$ 4,017,197</u>	<u>4,026,578</u>	<u>3,594,380</u>	<u>270,575</u>	<u>161,623</u>

(Continued)

HOLY STONE ENTERPRISE CO., LTD.

Notes to the Parent Company Only Financial Statements

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 89,767	27.6800	2,484,748	81,054	28.4800	2,308,430
EUR	293	31.3200	9,187	101	35.0200	3,554
HKD	17,018	3.5490	60,396	17,948	3.6730	65,925
JPY	397,946	0.2405	95,706	457,757	0.2763	126,478
CNY	94,658	4.3440	411,193	100,388	4.3770	439,396
<u>Non-monetary items</u>						
USD	1,236	27.6800	34,214	910	28.4800	25,915
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	75,776	27.6800	2,097,474	87,524	28.4800	2,492,678
HKD	271	3.5490	960	496	3.6730	1,821
GBP	130	37.3000	4,837	94	38.9000	3,642
JPY	360,810	0.2405	86,775	198,529	0.2763	54,853
CNY	11,688	4.3440	50,771	8,326	4.3770	36,441

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, loans and borrowings; and accounts and other payables that are denominated in foreign currency.

A strengthening (weakening) of 5% of the NTD against the USD, EUR, JPY, HKD and CNY as of December 31, 2021 and 2020 would have increased (decreased) the net profit after tax by \$41,016 and \$17,717, respectively. The analysis for the two periods were on the same basis.

3) Foreign exchange gain and loss on monetary items

The information on foreign exchange gain (loss) (including realized and unrealized portions) and exchange rate on monetary items was amounted as follows:

	2021		2020	
	Exchange gain (loss)	Rate	Exchange gain (loss)	Rate
NTD	\$ (32,644)	-	(26,297)	-

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1% of basis points, the Company's net income would have increased / decreased by \$30,504 and \$23,274 for the years ended December 31, 2021 and 2020, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's borrowing in floating variable rates and investment at variable-rate bills.

(v) Other market price risk

If the equity price changes, the impact to comprehensive income, using the sensitivity analysis based on the same variables except for the price index for both periods, will be as follows:

<u>Prices of securities at the reporting date</u>	<u>2021</u>		<u>2020</u>	
	<u>After-tax other comprehensive income</u>	<u>After-tax profit (loss)</u>	<u>After-tax other comprehensive income</u>	<u>After-tax profit (loss)</u>
Increasing 1%	<u>\$ -</u>	<u>614</u>	<u>-</u>	<u>523</u>
Decreasing 1%	<u>\$ -</u>	<u>(614)</u>	<u>-</u>	<u>(523)</u>

Information related to major foreign currency equity investment on the report date was as follows:

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Currency</u>	<u>Rate</u>	<u>NTD</u>	<u>Currency</u>	<u>Rate</u>	<u>NTD</u>
USD	\$ 218	27.680	6,023	348	28.480	9,905

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

(vi) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2021				
	Book Value	Fair Value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss	\$ 265,498	265,498	-	-	265,498
Financial assets measured at amortized cost:					
Cash and cash equivalents	2,903,284	-	-	-	-
Notes and accounts receivable, net	2,138,382	-	-	-	-
Account receivables to related parties, net	618,020	-	-	-	-
Other receivables	126,761	-	-	-	-
Subtotal	5,786,447	-	-	-	-
Total	\$ 6,051,945	265,498	-	-	265,498
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 1,682,790	-	-	-	-
Current contract liabilities	26,911	-	-	-	-
Accounts payable	941,407	-	-	-	-
Accounts payable to related parties	222,016	-	-	-	-
Other payables	941,414	-	-	-	-
Lease liabilities	3,739	-	-	-	-
Long-term borrowings	1,367,608	-	-	-	-
Subtotal	5,185,885	-	-	-	-
Total	\$ 5,185,885	-	-	-	-

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

	December 31, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 209,684	209,684	-	-	209,684
Financial assets measured at amortized cost:					
Cash and cash equivalents	3,412,615	-	-	-	-
Notes and accounts receivable, net	2,120,533	-	-	-	-
Accounts payable to related parties, net	495,098	-	-	-	-
Other receivables	92,758	-	-	-	-
Subtotal	6,121,004	-	-	-	-
Total	\$ 6,330,688	209,684	-	-	209,684
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 1,903,447	-	-	-	-
Current contract liabilities	12,540	-	-	-	-
Accounts payable	869,532	-	-	-	-
Accounts payable to related parties	87,260	-	-	-	-
Other payables	715,780	-	-	-	-
Lease liabilities	4,706	-	-	-	-
Long-term borrowings	423,932	-	-	-	-
Subtotal	4,017,197	-	-	-	-
Total	\$ 4,017,197	-	-	-	-

2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

2.1) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

2.2) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

(Continued)

HOLY STONE ENTERPRISE CO., LTD.

Notes to the Parent Company Only Financial Statements

The book values of the Company's loans and receivables, financial asset carried at cost, and financial liabilities measured at amortized cost are similar to their fair values.

3) Valuation techniques for financial instruments measured at fair value

3.1) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The fair value of financial instruments with an active market were as follow according to the categories and attributes:

The listed stock is traded in the active market and its fair value is based on the quoted market price accordingly.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method or other valuation techniques including a model using observable market data at the reporting date.

3.2) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss-debt investment" and "fair value through other comprehensive income - equity investments" .

(v) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

(Continued)

HOLY STONE ENTERPRISE CO., LTD.

Notes to the Parent Company Only Financial Statements

The following likewise discusses the Company' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Company' s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company' s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how the management supervision is in compliance with the Company' s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instrument fails to meet its contractual obligations, that arises principally from the Company' s accounts receivables and investments in securities.

1) Accounts receivable Trade and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company' s standard payment and delivery terms and conditions are offered.

In order to reduce the credit risk, the Company also regularly assess of the financial statues of its customers, if necessary, and will require its customers to provide security or guarantee.

The Company sets allowance for doubtful accounts to reflect the estimated loss resulted from its accounts and notes receivable. The main portion of allowance for doubtful accounts included specific loss component related to significant exposure and loss component occurred but not recognized on similar company of assets. The allowance for doubtful accounts of the Company was based on the statistic information of past payment of similar financial assets.

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HOLY STONE ENTERPRISE CO., LTD.

Notes to the Parent Company Only Financial Statements

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance and accounting department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

Guarantees provided by the Company as of December 31, 2021 and 2020, are disclosed in note 7.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2021 and 2020, the Company's unused credit line amounted to \$3,137,082 and \$3,509,200, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company devoted in foreign exchange purchases and sales, forming the variable exposure from exchange rate. The management of exchange rate exposure is to use forward foreign exchange rate contract to manage the risk under the policy.

The loan interest is valued under the currency of principals. In general. The currency of loans shall be identical to the cash flow generated from operating activities, mostly NTD, but JPY and USD as well. The Company provides economic hedge and there is no need to sign for derivatives under such circumstances; hence the hedge accounting is not adopted.

When short-term imbalance happens to monetary assets and liabilities measured at foreign currency, the Company maintains its exposure risk within acceptable by buying or selling foreign currency at board exchange rate.

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HOLY STONE ENTERPRISE CO., LTD.

Notes to the Parent Company Only Financial Statements

2) Interest rate risk

The risk of the changes in fair value and the cash flow risk are generated from the Company simultaneously borrowing at fixed and floating rate. The Company manages interest rate risk through keeping an adequate combination between fixed and floating interest rate and interest rate SWAP.

3) Other market price risk

The Company is exposed to equity price risk due to the investment in equity securities. These are strategic investments and are not held for trading. The Company does not actively trade in these investments as the management of the Company minimizes the risk by holding different investment portfolios.

(w) Capital management

The Company's objectives for managing capital are to safeguard its capacity to continue to operate and continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce its cost of capital. The total capital and equity include share capital, capital surplus, retained earnings, and other equity, plus net debt.

As of December 31, 2021, the Company's capital management strategy is consistent with the prior year as of December 31, 2020. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2021 and 2020, is as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 5,340,356	4,336,859
Less: cash and cash equivalents	(2,903,284)	(3,412,615)
Net debt	\$ 2,437,072	924,244
Total equity	\$ 9,863,896	9,207,885
Less: adjustment	-	-
Adjusted equity	\$ 9,863,896	9,207,885
Debt-to-equity ratio	24.71%	10.04%

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HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

- (x) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020 were as follows:

- (i) For right-of-use assets under leases, please refer to note 6(j).
(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash Flow	Acquisition	Non-cash changes			December 31, 2021
				Foreign exchange movement	Interest expense	Other	
Lease liabilities	\$ 4,706	(3,319)	2,274	-	78	-	3,739

	January 1, 2020	Cash Flow	Acquisition	Non-cash changes			December 31, 2020
				Foreign exchange movement	Interest expense	Other	
Lease liabilities	\$ 2,541	(3,315)	5,392	-	88	-	4,706

(7) Related-party transactions:

- (a) Names and relationship with related parties

Name of related party	Relationship with the Company
Holy Stone Enterprise (Hong Kong) Co., Limited	First-tier subsidiary
Holy Stone Holdings Co., Ltd.	First-tier subsidiary
UHOLY Investment Co., Ltd.	First-tier subsidiary
Martek Co., Ltd.	First-tier subsidiary
Jung Chan Investment Co., Ltd.	First-tier subsidiary
Holy Stone Industry India Private Limited	First-tier subsidiary
Holy Stone Investments Co., Ltd.	Second-tier subsidiary
Holypaq Corporation	Second-tier subsidiary
Green Glory Holdings Ltd.	Second-tier subsidiary
Mayatek Co., Ltd.	Second-tier subsidiary
Everplus Material Co., Ltd. (EPM)	Second-tier subsidiary
Holy Stone Holdings (Singapore) Pte. Ltd.	Second-tier subsidiary
Holy Stone International Trading Co., Ltd. (Shanghai)	Third-tier subsidiary
Infortech (China) Co., Ltd.	Third-tier subsidiary
Milestone Global Technology Ltd.	Third-tier subsidiary
Holy Stone (Europe) Ltd.	Third-tier subsidiary
Holy Stone Healthcare Co., Ltd.	Second-tier subsidiary
Global Search Holdings Ltd.	Second-tier subsidiary

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

Name of related party	Relationship with the Company
MDT INT'L SA	Third-tier subsidiary
Holy Stone Biotech Co., Ltd.	Third-tier subsidiary
AIHOL Corporation	Third-tier subsidiary
OHGA Smarthings Co., Ltd.	Second-tier subsidiary
Herztek Incorporation	Second-tier subsidiary
eGalax_eMPIA Technology Inc.	An associste
Empia Technology Inc.	An associste

(b) Significant transactions with related parties

(i) Sales and receivables from related parties

	Sales		Receivables from related parties	
	2021	2020	December 31, 2021	December 31, 2020
Subsidiary-International Trading Co., Ltd. (Shanghai)	\$ 1,731,797	1,383,614	354,271	333,749
Subsidiary-Holy Stone Enterprise (Hong Kong) Co., Limited	962,400	1,064,541	188,183	84,947
Subsidiary-Infortech (China) Co., Ltd.	747,382	555,849	74,926	76,051
Other subsidiaries	1,114	501	98	10
	\$ 3,442,693	3,004,505	617,478	494,757

The selling price for related parties approximated the market price. The credit terms ranged from 30 to 120 days, while the credit term for routine sales transactions was within 30 days to 150 days.

(ii) Purchases and payables to related parties

	Purchases		Payables to related parties	
	2021	2020	December 31, 2021	December 31, 2020
Subsidiary-Everplus Material Co., Ltd.	\$ 430,806	289,441	56,351	27,600
Other subsidiaries	72,476	-	67,554	-
Associate-eGalax-eMPIA Technology Inc.	415,730	285,520	75,429	46,957
Other associates	640	2,588	-	1,137
	\$ 919,652	577,549	199,334	75,694

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
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The purchase price with related parties is not comparable to the purchase price with third-party vendors as there is no similar products purchased from other vendors. The payment term with related parties is no different from the payment terms given by other vendors.

(iii) Purchases of services and payables to related parties

	Transaction amount		Payables to related parties	
	2021	2020	December 31, 2021	December 31, 2020
Subsidiaries-Brand and marketing services	\$ 61,399	44,647	11,092	6,525
Subsidiaries-Technology and consulting services	30,962	36,199	11,590	5,041
	<u>\$ 92,361</u>	<u>80,846</u>	<u>22,682</u>	<u>11,566</u>

(iv) Guarantee

The Company was the guarantor for the subsidiary' s loans for financial institutions amounting to \$384,600 and \$402,920, for the years ended December 31, 2021 and 2020, respectively. The amounts of guarantees used to secured loans for its subsidiaries were both JPY400,000, respectively.

(v) Other

- 1) As of December 31, 2021 and 2020, the subsidiaries helped the Company to purchase property, plant and equipment amounting to \$325,678 and \$22,849, respectively. The prepayment for business facilities amounted to \$75,972 and \$23,258, respectively.
- 2) As of December 31, 2021 and 2020, other receivables from collection and payment, other expense and other expenditures paid by the subsidiaries and the associates on behalf of the Company amounted to \$542 and \$341, respectively.
- 3) In October 2020, the Company purchased its shares from other shareholders of UHOLY Investment Co., Ltd., acquiring 16,500 thousand shares for \$247,500 in cash, increasing the shareholding ratio from 57.69% to 100%. All payments from this transaction are made.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	<u>\$ 67,122</u>	<u>49,024</u>

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

(8) Pledged assets:

The carry values of property assets were as follows:

<u>Pledged Assets</u>	<u>Object</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposit	Purchases and commodity tax guarantee	<u>\$ 39,753</u>	<u>17,728</u>

(9) Commitments and contingencies:

(a) As of December 31, 2021 and 2020, the unused letters of credit amounted to \$135,000 and \$143,800, respectively.

(b) The unrecognized commitments of acquisition of property, plant and equipment were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Acquisition of property, plant and equipment	<u>\$ 365,899</u>	<u>303,826</u>

(c) An anti-trust investigation regarding the former Japanese subsidiary was filed against the Company in March 2014. The Company has engaged attorneys to process the investigation and US Civil litigation. The anti-trust investigation was still in progress as of December 31, 2021.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

(a) The followings were the summary statements of employee benefits, depreciation, and amortization expenses by function:

By item	By function	2021			2020		
		Cost of Sales	Operating expenses	Total	Cost of Sales	Operating expenses	Total
Employee benefits							
Salary		416,165	576,574	992,739	338,959	455,753	794,712
Labor and health insurance		47,984	33,238	81,222	38,601	29,197	67,798
Pension		23,857	13,856	37,713	20,017	13,655	33,672
Remuneration of directors		-	45,172	45,172	-	31,377	31,377
Others		14,250	8,097	22,347	11,791	7,721	19,512
Depreciation		463,337	19,150	482,487	444,920	17,658	462,578

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
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For the years ended 2021 and 2020, employees and employee benefits expenses were as follows

	<u>2021</u>	<u>2020</u>
Number of employees	<u>1,035</u>	<u>951</u>
Number of directors who were not employees	<u>4</u>	<u>4</u>
The average employee benefit	<u>\$ 1,100</u>	<u>967</u>
The average salaries and wages	<u>\$ 963</u>	<u>839</u>
The adjustment rate of average employee salaries	<u>14.78%</u>	<u>13.84%</u>
Remuneration of supervisors	<u>\$ 5,421</u>	<u>7,615</u>

The Company's remuneration policy, which is included directors, supervisors, managers and employees, is mentioned as follow:

- (i) In accordance with article 19 of the articles of incorporation, the Company should contribute no less than 7% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. In accordance with article 16 of the articles of incorporation, director's and supervisors' transportation allowance and remuneration are based on their involvement in the Company's operations and contribution to the Company and consider other equivalent allowance. The Board of Directors is authorized to decide such remuneration.

Employee compensation, director's and supervisors' remuneration mentioned above may be paid in cash or share after the deliberation of remuneration committee and the distribution plan proposed by the Board of Directors, and in addition thereto, a report such distribution should only be submitted to the shareholders' meeting.

- (ii) In accordance with the articles of incorporation and remuneration committee charter, remuneration committee reviews employee compensation, director's and supervisors' remuneration, evaluates performance in the following ways. Remuneration committee would make the suggestions regarding remuneration and submits them to the Board of Directors.

- 1) Remuneration to directors and supervisors

Remuneration to each director or supervisor is assessed based on his/her involvement and contribution to the operation. Remuneration is connected with the rationality and fairness of risk of performance and determined based on company's operating performance and the appropriate standards of the industry.

- 2) Compensation to the president and vice presidents

Compensation to the president and vice presidents is based on comprehensive consideration such as personal working performances, goal achievements, contribution to the Company, the association and rationality with future risk. In addition, such compensation is determined based on the Company's operating performance for the year and standards of the industry.

After such compensation is determined, remuneration committee would adequately review remuneration to directors, supervisors and managers in accordance with actual operating conditions and related laws and regulations.

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2021:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Holy Stone Holdings Co., Ltd.	Holy Stone	2	1,972,779	142,675	138,400	-	-	1.40%	4,931,948	Y	N	N
0	The Jung Chan Investments Co., Ltd.	Jung Chan	2	1,972,779	150,000	150,000	-	-	1.52%	4,931,948	Y	N	N
0	The Everplus Material Co., Ltd.	Everplus	2	1,972,779	110,520	96,200	96,200	-	0.98%	4,931,948	Y	N	N

Note 1: The total amount available for endorsement provided to one entity shall not exceed 20% of the Company' s net worth; and the total amount available endorsement provided to others shall not exceed 50% of the Company' s net worth.

Note 2: Seven forms of relationships in which corporate guarantees exist are defined as follows:

- (a) At entity that is with business relationship.
- (b) A Subsidiary which owned more than 50% by the guarantor.
- (c) An investee owned more than 50% in total by both the guarantor and its subsidiary.
- (d) An investee owned more than 90% by the guarantor or its subsidiary.
- (e) Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
- (f) An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
- (g) The companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of Shares or Units)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair Value	Note
				Shares	Carrying value	Percentage of ownership (%)		
The Company	Fuh Hwa Smart Energy Bond Fund I	-	Current financial asset at fair value through profit or loss Fund beneficiary certificate	2,997	33,324	-	33,324	-
The Company	Fuh Hwa Smart Energy Bond Fund II	-	“	12,660	142,610	-	142,610	-
The Company	INVESCO QQQ ETF	-	“	1	6,607	-	6,607	-
The Company	SPDR S&P500 ETF	-	“	1	13,147	-	13,147	-
The Company	MSCI EMERGING MKT ETP	-	“	1	1,352	-	1,352	-
The Company	FIDELITY FNDSJAPAN	-	“	14	7,085	-	7,085	-
The Company	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial asset at fair value through profit or loss-Domestic stock	90	55,350	-	55,350	-
The Company	GSI TECHNOLOGY INC. Stock	-	Non-current financial asset at fair value through profit or loss	47	6,023	0.20%	6,023	-

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares	Carrying value	Percentage of ownership (%)	Fair Value	
The Company	CNO Co., Ltd. Stock	-	Non-current financial asset at fair value through other comprehensive income	1,400	-	12.28%	-	-
Martek Co., Ltd.	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial asset at fair value through profit or loss-Domestic stock	12	7,380	-	7,380	-
Holy Stone Enterprise (Hong Kong) Co., Limited	SPDR S&P500 ETF	-	Current financial asset at fair value through profit or loss Fund beneficiary certificate	1	7,231	-	7,231	-
Holy Stone Enterprise (Hong Kong) Co., Limited	INVESCO QQQ ETF	-	"	1	4,405	-	4,405	-
Holy Stone Enterprise (Hong Kong) Co., Limited	FIDELITY FNDJ-JAPAN	-	"	16	8,344	-	8,344	-
Holy Stone Enterprise (Hong Kong) Co., Limited	ALLANZ-EURO EQGR S_ATHZUSD	-	"	15	8,580	-	8,580	-
Holy Stone Holdings Co., Ltd.	Greenvity Communications, Inc	-	Non-current financial asset at fair value through other comprehensive income	220	-	0.76%	-	-
Holy Stone Holdings Co., Ltd.	ISHARES RUSSELL1000 VALUE ETF	-	Current financial asset at fair value through profit or loss-Fund beneficiary certificate	1	1,394	-	1,394	-
Holy Stone Holdings Co., Ltd.	FIDELITY FNDJ-JAPAN	-	"	11	5,562	-	5,562	-
Holy Stone Holdings Co., Ltd.	ALLANZ-EURO EQGR S_ATHZUSD	-	"	10	5,720	-	5,720	-
Holy Stone Holdings Co., Ltd.	SPDR S&P500 ETF	-	"	1	5,259	-	5,259	-
UHOLY Investment Co., LTD.	METANOIA COMMUNICATIONS INC. Stock	-	Non-current financial asset at fair value through other comprehensive income	155	-	0.18%	-	-
UHOLY Investment Co., LTD.	IFIT Co., Ltd. Stock	-	"	269	-	-	-	-
UHOLY Investment Co., LTD.	Sen Yun Co., Ltd. Stock	-	"	140	-	-	-	-
UHOLY Investment Co., LTD.	C2 MICROSYSTEMS INC.	-	Non-current financial assets at fair value through profit or loss	1,200	-	3.20%	-	-
UHOLY Investment Co., LTD.	Win Win Precision Technology CO., LTD. Stock	-	"	1,388	22,903	3.05%	22,903	-
UHOLY Investment Co., LTD.	AZOTEK CO., LTD. Stock	-	"	981	31,377	1.63%	31,377	-
UHOLY Investment Co., LTD.	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial asset at fair value through profit or loss-Domestic stock	75	46,125	-	46,125	-
UHOLY Investment Co., LTD.	O-TA Precision Industry CO., LTD. Stock	-	"	70	10,290	-	10,290	-
UHOLY Investment Co., LTD.	NAN YA PRINTED CIRCUIT BOARD CORPORATION Stock	-	"	15	8,580	-	8,580	-
UHOLY Investment Co., LTD.	CHILISIN ELECTRONICS CORP. Stock	-	"	1	95	-	95	-
Jung Chan Investment Co., Ltd.	JYA-NAY CO., LTD. Stock	-	Non-current financial asset at fair value through other comprehensive income	2,976	25,868	12.40%	25,868	-

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares	Carrying value	Percentage of ownership (%)	Fair Value	
Jung Chan Investment Co., Ltd.	EMPIA TECHNOLOGY CORPORATION Stock	-	Non-current financial asset at fair value through other comprehensive income	1,846	24,874	11.99%	24,874	-
Jung Chan Investment Co., Ltd.	CNO Co., Ltd. Stock	-	"	494	-	4.33%	-	-
Jung Chan Investment Co., Ltd.	METANOIA COMMUNICATIONS INC. Stock	-	"	27	-	0.04%	-	-
Jung Chan Investment Co., Ltd.	THROUGHTTEK CO., LTD. Stock	-	Non-current financial assets at fair value through profit or loss	140	2,156	0.54%	2,156	-
Jung Chan Investment Co., Ltd.	WOM ASIA CO., LTD. Stock	-	"	645	2,485	2.45%	2,485	-
Jung Chan Investment Co., Ltd.	Genovior Biotech Corporation Stock	-	"	3,590	28,002	3.52%	28,002	-
Jung Chan Investment Co., Ltd.	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial assets at fair value through profit or loss-Domestic stock	75	46,125	-	46,125	-
Jung Chan Investment Co., Ltd.	O-TA Precision Industry CO., LTD. Stock	-	"	70	10,290	-	10,290	-
Jung Chan Investment Co., Ltd.	TONG HSING ELECTRONIC INDUSTRIES, LTD. Stock	-	"	20	5,950	-	5,950	-
Jung Chan Investment Co., Ltd.	NAN YA PRINTED CIRCUIT BOARD CORPORATION Stock	-	"	10	5,720	-	5,720	-
Jung Chan Investment Co., Ltd.	King Yuan ELECTRONICS CO., LTD. Stock	-	"	30	1,344	-	1,344	-
OHGA Smarththings Co., Ltd.	EMPIA TECHNOLOGY CORPORATION Stock	-	Non-current financial asset at fair value through other comprehensive income	540	7,195	3.51%	7,195	-
OHGA Smarththings Co., Ltd.	THROUGHTTEK CO., LTD. Stock	-	Non-current financial assets at fair value through other profit or loss	140	2,156	0.54%	2,156	-
OHGA Smarththings Co., Ltd.	NFORE TECHNOLOGY CO., LTD. Stock	-	"	261	5,991	1.52%	5,991	-
OHGA Smarththings Co., Ltd.	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial assets at fair value through profit or loss-Domestic stock	8	4,920	-	4,920	-
OHGA Smarththings Co., Ltd.	CHILISIN ELECTRONICS CORP. Stock	-	"	10	946	-	946	-

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of Units)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	21,970	300,000	21,970	300,150	300,000	150	-	-

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Franklin Templeton Sinoam Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	95,811	1,000,000	95,811	1,000,494	1,000,000	494	-	-
The Company	Prudential Financial Money Market Fund	"	-	-	-	-	18,802	300,000	18,802	300,192	300,000	192	-	-
The Company	Capital Money Market Fund	"	-	-	-	-	27,655	450,000	27,655	450,208	450,000	208	-	-
The Company	Taishin Ta-Chong Money Market Fund	"	-	-	-	-	41,861	600,000	41,861	600,198	600,000	198	-	-
Jung Chan Investment Co., Ltd.	Yuanta Wan Tai Money Market Fund	"	-	-	-	-	34,195	522,000	34,195	522,055	522,000	55	-	-

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	International Trading Co., Ltd (Shanghai)	Third-tier Subsidiary	Sale	(1,731,797)	(12.51)%	Next month-end 150 days	-	-	354,271	12.85%	-
International Trading Co., Ltd (Shanghai)	The Company	Ultimate parent company	Purchase	1,731,797	91.52%	Next month-end 150 days	-	-	(354,271)	(90.16)%	-
The Company	Holy Stone Enterprise (Hong Kong) Co., Limited	First-tier Subsidiary	Sale	(962,400)	(6.95)%	Next month-end 120 days	-	-	188,183	6.83%	-
Holy Stone Enterprise (Hong Kong) Co., Limited	The Company	Ultimate parent company	Purchase	962,400	92.14%	Next month-end 120 days	-	-	(188,183)	(89.41)%	-
The Company	Infotech (China) Co., Ltd	Third-tier Subsidiary	Sale	(747,382)	(5.40)%	This month-end 120 days	-	-	74,926	2.72%	-
Infotech (China) Co., Ltd	The Company	Ultimate parent company	Purchase	747,382	69.74%	This month-end 120 days	-	-	(74,926)	(99.02)%	-
EPM	The Company	Ultimate parent company	Sale	(796,695)	(100.00)%	This month-end 30 days	-	-	67,941	100.00%	-
The Company	EPM	Second-tier Subsidiary	Purchase	430,806	4.26%	This month-end 30 days	-	-	(67,941)	(5.84)%	-
eGalax_eMPIA Technology Inc	The Company	Affiliated company	Sale	(415,730)	(28.43)%	This month-end 30 days	-	-	75,429	33.50%	-
The Company	eGalax_eMPIA Technology Inc	Affiliated company	Purchase	415,730	4.11%	This month-end 30 days	-	-	(75,429)	(6.48)%	-

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	Holy Stone Enterprise (Hong Kong) Co., Limited	First-tier Subsidiary	188,183	7.05	-	-	97,332	-
The Company	International Trading Co., Ltd (Shanghai)	Third-tier Subsidiary	354,271	5.03	-	-	222,332	-

- (ix) Trading in derivative instruments: None.

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of Shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
The Company	Holy Stone Enterprise (Hong Kong) Co., Limited	Hong Kong	MLCC and electronic components trading	49,046	49,046	11,500	100.00%	353,971	19,623	19,623	Subsidiary of the Company
The Company	Holy Stone Holdings Co., Ltd.	Samoa	Investment activities	1,795,317	1,795,317	21,000	100.00%	594,467	76,705	71,771	Subsidiary of the Company
The Company	UHOLY INVESTMENT Co., LTD.	Taipei City	Investment activities	472,500	472,500	39,000	100.00%	520,352	(11,486)	(16,002)	Subsidiary of the Company
The Company	Martek Co., Ltd.	Taipei City	Electric appliances precision instrument, computers and machinery and equipment selling	20,000	20,000	5,100	100.00%	57,765	5,010	5,010	Subsidiary of the Company
The Company	Jung Chan Investments Co., Ltd	Taipei City	Investment activities	340,000	340,000	42,100	100.00%	419,610	(5,405)	(5,551)	Subsidiary of the Company
The Company	Holy Stone Industry India Private Limited	India	Retail sale of Electronic Parts and components	29,260	-	7,400	100.00%	27,211	(241)	(241)	Subsidiary of the Company
The Company	eGalax_eMPIA Technology Inc	Taipei City	Product designing, wholesale and retail of electronic materials	122,683	52,761	2,165	3.53%	127,608	372,489	11,577	The Company's Investment accounted for using the equity
Holy Stone Holdings Co., Ltd.	Holy Stone Investments Co., Ltd	Hong Kong	Investment activities	190,992	196,512	6,900	100.00%	476,183	59,268	59,268	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Holypaq Corporation	Cayman Islands	Investment activities	33,216	34,176	1,200	100.00%	741	-	-	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Green Glory Holdings Ltd.	Samoa	Investment activities	34,340	35,333	1,310	100.00%	46,400	12,584	12,584	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Mayatek Co., Ltd.	Belize	Electric appliances precision instrument, computers and machinery and equipment selling	386,856	398,036	2,500	100.00%	97,330	9,311	9,311	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Everplus Material Co., Ltd.	Japan	Electric appliances precision instrument, computers and machinery and equipment selling	117,845	135,387	5	100.00%	135,554	8,915	8,915	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Holy Stone Holdings (Singapore) Pie. Ltd	Singapore	Retail sale of Electronic Parts and components	2,768	2,848	100	100.00%	6,760	136	136	Subsidiary of Holy Stone Holdings Co., Ltd.
Green Glory Holdings Ltd.	Milestone Global Technology Ltd.	America	Electronic components developing and selling	13,840	14,240	500	100.00%	29,853	7,805	7,805	Subsidiary of Green Glory Holdings
Green Glory Holdings Ltd.	Holystone(Europe) Ltd.	England	Retail sale of Electronic Parts and components	19,013	19,562	350	100.00%	16,321	4,822	4,822	Subsidiary of Green Glory Holdings
UHOLY INVESTMENT Co., LTD.	Holy Stone Healthcare Co., Ltd.	Taipei City	Wholesaling of western Medicine and medical instruments	683,837	683,837	42,436	34.57%	91,291	(181,308)	(62,678)	Subsidiary of UHOLY Investment Co., Ltd.
UHOLY INVESTMENT Co., LTD.	eGalax_eMPIA Technology Inc	Taipei, Taiwan	Retail sale of Electronic Parts and components	26,705	26,705	6,210	10.14%	331,587	372,489	37,766	Subsidiary of UHOLY Investment Co., Ltd.
Holy Stone Healthcare Co., Ltd.	MDT INTL SA	Switzerland	Electronic components developing and selling	78,768	78,768	2,550	100.00%	92,073	16,490	16,490	Subsidiary of Holy Stone Healthcare Co., Ltd.
Holy Stone Healthcare Co., Ltd.	Global Search Holdings Ltd.	Samoa	Wholesaling of western Medicine and medical instruments	96,316	84,036	3,210	100.00%	4,203	(10,674)	(10,674)	Subsidiary of Holy Stone Healthcare Co., Ltd.
Global Search Holdings Ltd.	Holy Stone Biotech Co., Ltd.	England	Development and trading of medical instruments and biotechnology services	66,539	61,432	1,590	100.00%	1,516	(5,703)	(5,703)	Second-tier subsidiary of Holy Stone Healthcare Co., Ltd.

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value			
Global Search Holdings Ltd.	AIHOL Corporation	America	Research development and patent application	21,314	16,234	10,750	100.00%	2,269	(4,884)	(4,884)	Second-tier subsidiary of Holy Stone Healthcare Co., Ltd.
Jung Chan Investments Co., Ltd.	OHGA Smarthings Co., Ltd.	New Taipei, Taiwan	Electronic appliances, audio-visual electronics manufacturing and medical instruments	334,806	332,640	15,348	71.06%	139,870	(9,070)	(6,431)	Subsidiary of Jung Chan Investments Co., Ltd.
Jung Chan Investments Co., Ltd.	Holy Stone Healthcare Co., Ltd.	Taipei City	Wholesaling of western Medicine and medical instruments	44,603	73,296	2,580	2.10%	8,921	(181,308)	(5,361)	Jung Chan's Investments accounted for using the equity.
Jung Chan Investments Co., Ltd.	Merzteck Incorporation	Hsin?Chu, Taiwan	Wholesaling of western Medicine and telecon	100,000	100,000	10,000	100.00%	94,924	(3,933)	(3,933)	Subsidiary of Jung Chan Investments Co., Ltd.
Jung Chan Investments Co., Ltd.	eGalax eMPIA Technology Inc	Taipei City	Product designing, wholesale and retail of electronic	9,475	9,475	202	0.33%	10,202	372,489	1,228	Jung Chan's Investments accounted for using the equity.
Jung Chan Investments Co., Ltd.	OHGA Smarthings Co., Ltd.	YUASA J?WAN, Taiwan	Wholesale and retail of Batteries	1,000	1,000	100	31.50%	994	223	84	OHGA Smarthings's Investment accounted for using the equity

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee (Note 2)	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Holystone International Trading (Shanghai) Co., Ltd.	Sale of electronic products	110,997	(2)	99,925	-	-	99,925	49,625	100.00%	49,625	294,419	-
Infortech International Trading (Shanghai) Ltd.	Development and sale of electronic products	27,680	(2)	27,680	-	-	27,680 (Note 3)	-	100.00%	-	-	-
Infortech (China) Co., Ltd.	Sale of electronic products	58,128	(2)	58,128	-	-	58,128	9,722	100.00%	9,722	181,576	-

Note 1: Investments are made through one of three ways:

- (1) Direct investment from Mainland China
- (2) Indirect investment from third-party country
- (3) Others

Note 2: The recognition of gain and loss on investment based on the financial report which was audited by Group's auditor.

Note 3: Infortech International trading (Shanghai) Ltd. had been liquidated in April 2015, and application of cancellation was completed by July 29 in 2015.

(Continued)

HOLY STONE ENTERPRISE CO., LTD.
Notes to the Parent Company Only Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
185,733	196,805	5,918,337

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, are disclosed in “Information on significant transactions” .

(d) Major shareholders:

None of shareholders holds more than 5% of shares.

(14) Segment information:

The Company discloses the segment information in the consolidated financial statements.

Representation Letter

The entities that are required to be included in the combined financial statements of Holy Stone Enterprise Co., Ltd. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Accounting Standards No. 27 endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Holy Stone Enterprise Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Holy Stone Enterprise Co., Ltd.

Chairman: Tang, Jing-Rong

Date: March 9, 2022

Independent Auditors’ Report

To the Board of Directors of Holy Stone Enterprise Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Holy Stone Enterprise Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’ s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of a subsidiary of the Group. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that subsidiary, is based solely on the report of another auditor. The financial statements of that subsidiary reflect total assets constituting 3.57% and 3.07% of consolidated total assets at December 31, 2021 and 2020, respectively, and total operating revenues constituting 6.51% and 7.37% of consolidated total operating revenues for the years then ended, respectively.

Holy Stone Enterprise Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion with other matters paragraph.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matter.

1. Revenue recognition

Please refer to Note 4(n) “Revenue from contracts with customers” for accounting policy and Note 6(u) “Revenue from contracts with customers” for details of revenue to the consolidated financial statements.

Description of key audit matter:

The Group engages primarily in the manufacturing and sales of MLCC, integrated circuits, modules, and other electronic components. The Operating Revenue is the main indicator for the investor to evaluate the financial and business performance of the Group. Therefore, it has been identified as a key audit matter.

Our principal audit procedures included:

Regarding to the key audit matter mentioned above, our key audit procedures include understanding the design and implementation of internal control over revenue recognition and verifying the compliance of accounting policy; analyzing the changes in sales revenue from top ten clients and comparing them with those of the same period in the previous year to confirm whether or not there are significant exceptions or irregular transactions exist; examining the vouchers to determine the appropriate cut offs for revenue recognition within selected periods before and after the balance sheet date to evaluate whether the revenue was recorded in the appropriate period.

2. Impairment evaluation of accounts receivable

Please refer to Note 4(g)(i)(1) “Financial assets measured at amortized cost” ; Note 5(a) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” , and Note 6(d) “Notes and accounts receivables” to the consolidated financial statements.

Description of key audit matter:

The Group measured its accounts receivable by the recoverable amounts. Impairment evaluation of accounts receivable is one of the key judgmental areas for our audit, particularly in respect of the great influence of given the challenging industry climate. Due to the provision of bad debt allowance that is subject to the management’ s judgement, it is uncertain to have enough of information of recoverability before the issuance of the financial statements” .

How the matter was addressed in our audit:

Our principal audit procedures included understanding the design and implementation of internal control; assessing the rationality of the provision policy and verifying the compliance of provision policy for accounts receivable allowance; examining the aging analysis table and checking the amount of receivables received after the balance date, as well as discussing with the management to assess the whether or not the provision is reasonable; evaluating the adequacy of the Group’ s disclosure for bad debt allowance.

3. Inventory valuation

Please refer to Note 4(h) “Inventories” ; Note 5(b) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” , and Note 6(f) “Inventories” to the consolidated financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value in the financial statements. However, with the rapid development of the consumer market and the volatility of sales, that may result in the cost of inventory may exceed its net realizable value. Therefore, it has been identified as a key audit matter.

How the matter was addressed in our audit:

Regarding the key audit matter mentioned above, our audit procedures included evaluating the reasonableness of the Group’ s inventory valuation policy and the management’ s assumption used when measuring allowance for inventory valuation and obsolescence losses; performing a retrospective review of the Group’ s historical accuracy of judgments with reference to inventory valuation and comparing them with the current year’ s calculation to evaluate the appropriateness of estimation and assumption used for inventory valuation; assessing the adequacy of the Group’ s disclosure for inventories.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’ s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group’ s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsu, Ming-Fang and Chen, Pei-Chi.

KPMG

Taipei, Taiwan (Republic of China)

March 9, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (note 6(a))	\$ 3,954,236	24	4,459,782	30
1110 Current financial assets at fair value through profit or loss (note 6(b))	453,735	3	308,995	2
1150 Notes and accounts receivable, net (note 6(d)(u) and 7)	3,198,362	19	3,109,196	21
1200 Other receivables, net (note 6(c))	157,924	1	122,710	1
1220 Current tax assets	101	-	1,404	-
130X Inventories (note 6(f))	3,087,397	19	2,280,969	16
1410 Prepayments and other current assets	84,380	1	97,891	1
Total current assets	10,936,135	67	10,380,947	71
Non-current assets:				
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	101,093	1	28,088	-
1517 Non-current financial assets at fair value through other comprehensive income (note 6(c))	57,937	-	84,940	1
1550 Investments accounted for using the equity method (note 6(g))	470,390	3	376,166	3
1600 Property, plant and equipment (note 6(i) and 8)	4,290,690	27	3,611,113	25
1755 Right-of-use assets (note 6(j))	46,393	-	41,609	-
1780 Intangible assets (note 6(k))	10,072	-	13,744	-
1840 Deferred tax assets	41,244	-	50,933	-
1915 Prepayments for business facilities	264,760	2	12,728	-
1990 Other non-current assets, others (note 8)	51,815	-	29,652	-
Total non-current assets	5,334,394	33	4,248,973	29
Total assets	\$ 16,270,529	100	14,629,920	100
Liabilities and Equity				
Current liabilities:				
Short-term borrowings (note 6(l) and 8)	2100		2100	
Current contract liabilities(note 6(u))	2130		2130	
Accounts payable	2170		2170	
Accounts payable to related parties(note 7)	2180		2180	
Other payables(note 6(m))	2200		2200	
Current tax liabilities	2230		2230	
Current lease liabilities (note 6(o))	2280		2280	
Long-term borrowings, current portion (note 6(n) and 8)	2322		2322	
Total current liabilities	13,733,338	10	13,733,338	10
Non-Current liabilities:				
Long-term borrowings (note 6(n) and 8)	2540		2540	
Deferred tax liabilities	2570		2570	
Non-current lease liabilities (note 6(o))	2580		2580	
Net defined benefit liability, non-current (note 6(p))	2640		2640	
Other non-current liabilities, others	2670		2670	
Total non-current liabilities	1,550,813	10	1,550,813	10
Total liabilities	15,284,151	93	15,284,151	93
Equity attributable to owners of parent (note 6(r)):				
Ordinary share	3110		3110	
Capital surplus	3200		3200	
Retained earnings:				
Legal reserve	3310		3310	
Special reserve	3320		3320	
Unappropriated retained earnings	3350		3350	
Total retained earnings				
Other equity:				
Exchange differences on translation of foreign financial statements	3410		3410	
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	3420		3420	
Total other equity				
Total equity attributable to owners of parent	36XX		36XX	
Non-controlling interests				
Total equity	10,084,722	62	10,084,722	66
Total liabilities and equity	\$ 16,270,529	100	14,629,920	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
4000 Operating revenue (note 6(u) and 7)	\$ 16,602,046	100	14,830,428	100
5000 Operating costs (note 6(f)(o)(p) and 7)	12,926,647	78	11,748,577	79
Gross profit	<u>3,675,399</u>	<u>22</u>	<u>3,081,851</u>	<u>21</u>
Operating expenses:				
6100 Selling and administrative expenses (note 6(k)(o)(p)(s)(v))	1,294,441	8	1,263,694	9
6300 Research and development expenses (note 6(k)(o)(p)(v))	364,486	2	309,703	2
6450 Expected credit loss (gain) (note 6(d))	4,898	-	(1,403)	-
Total operating expenses	<u>1,663,825</u>	<u>10</u>	<u>1,571,994</u>	<u>11</u>
Net operating income	<u>2,011,574</u>	<u>12</u>	<u>1,509,857</u>	<u>10</u>
Non-operating income and expenses:				
7020 Other gains and losses, net (note 6(w))	5,972	-	59,015	-
7050 Finance costs (note 6(o))	(12,887)	-	(18,291)	-
7060 Share of profit (loss) of associates accounted for using the equity method	50,655	-	24,187	-
7100 Interest income	13,572	-	16,823	-
Total non-operating income and expenses	<u>57,312</u>	<u>-</u>	<u>81,734</u>	<u>-</u>
Profit before tax	<u>2,068,886</u>	<u>12</u>	<u>1,591,591</u>	<u>10</u>
7950 Less: Income tax expenses(note 6(q))	<u>232,376</u>	<u>1</u>	<u>361,801</u>	<u>2</u>
Profit	<u>1,836,510</u>	<u>11</u>	<u>1,229,790</u>	<u>8</u>
8300 Other comprehensive income (loss):				
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss:				
8311 Losses on remeasurements of defined benefit plans	(13,811)	-	(7,746)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(11,225)	-	12,861	-
8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(95)	-	(145)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	(1,571)	-
Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>(25,131)</u>	<u>-</u>	<u>6,541</u>	<u>-</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(42,190)	-	(1,185)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>(42,190)</u>	<u>-</u>	<u>(1,185)</u>	<u>-</u>
8300 Other comprehensive income, net of tax	<u>(67,321)</u>	<u>-</u>	<u>5,356</u>	<u>-</u>
8500 Total comprehensive income	<u>\$ 1,769,189</u>	<u>11</u>	<u>1,235,146</u>	<u>8</u>
Profit, attributable to:				
8610 Owners of parent	\$ 1,952,417	12	1,312,345	9
8620 Non-controlling interests	(115,907)	(1)	(82,555)	(1)
Profit	<u>\$ 1,836,510</u>	<u>11</u>	<u>1,229,790</u>	<u>8</u>
Comprehensive income attributable to:				
8710 Owners of parent	\$ 1,889,372	12	1,310,891	9
8720 Non-controlling interests	(120,183)	(1)	(75,745)	(1)
Total comprehensive income	<u>\$ 1,769,189</u>	<u>11</u>	<u>1,235,146</u>	<u>8</u>
Earnings per share (in dollars) (note 6(t))				
9750 Basic earnings per share	<u>\$ 12.36</u>		<u>8.31</u>	
9850 Diluted earnings per share	<u>\$ 12.16</u>		<u>8.20</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Non-controlling interests	Total equity
Balance at January 1, 2020	1,579,908	3,402,323	1,638,205	132,916	2,372,512	(47,294)	(81,527)	8,997,043	634,961	9,632,004
Profit	-	-	-	-	1,312,345	-	-	1,312,345	(82,555)	1,229,790
Other comprehensive income	-	-	-	-	(7,891)	(3,780)	10,217	(1,454)	6,810	5,356
Total comprehensive income	-	-	-	-	1,304,454	(3,780)	10,217	1,310,891	(75,745)	1,235,146
Appropriation and distribution of retained earnings:										
Cash dividends of ordinary shares	-	-	-	-	(789,954)	-	-	(789,954)	-	(789,954)
Reversal of special reserve	-	-	-	(4,095)	4,095	-	-	-	-	-
Other changes in capital surplus:										
Cash dividends from capital surplus	-	(315,982)	-	-	-	-	-	(315,982)	-	(315,982)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(17,729)	-	-	(17,729)	-	(17,729)
Changes in ownership interests in subsidiaries	-	23,619	-	-	(3)	-	-	23,616	(223,295)	(199,679)
Balance at December 31, 2020	1,579,908	3,109,960	1,638,205	128,821	2,873,375	(51,074)	(71,310)	9,207,885	335,921	9,543,806
Profit	-	-	-	-	1,952,417	-	-	1,952,417	(115,907)	1,836,510
Other comprehensive income	-	-	-	-	(13,906)	(37,914)	(11,225)	(63,045)	(4,276)	(67,321)
Total comprehensive income	-	-	-	-	1,938,511	(37,914)	(11,225)	1,889,372	(120,183)	1,769,189
Appropriation and distribution of retained earnings:										
Cash dividends of ordinary share	-	-	-	-	(1,263,926)	-	-	(1,263,926)	-	(1,263,926)
Reversal of special reserve	-	-	-	(6,437)	6,437	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	30,565	-	-	(7,669)	-	7,669	30,565	-	30,565
Changes in non-controlling interests	-	-	-	-	-	-	-	-	5,088	5,088
Balance at December 31, 2021	1,579,908	3,140,525	1,638,205	122,384	3,546,728	(88,988)	(74,866)	9,863,896	2,20,826	10,084,722

Balance at January 1, 2020

Profit

Other comprehensive income

Total comprehensive income

Appropriation and distribution of retained earnings:

Cash dividends of ordinary shares

Reversal of special reserve

Other changes in capital surplus:

Cash dividends from capital surplus

Difference between consideration and carrying amount of subsidiaries acquired or disposed

Changes in ownership interests in subsidiaries

Balance at December 31, 2020

Profit

Other comprehensive income

Total comprehensive income

Appropriation and distribution of retained earnings:

Cash dividends of ordinary share

Reversal of special reserve

Changes in ownership interests in subsidiaries

Changes in non-controlling interests

Balance at December 31, 2021

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Profit before tax	\$ 2,068,886	1,591,591
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	534,592	513,342
Amortization expense	3,017	3,113
Expected credit loss (gain)	4,898	(1,403)
Net gain on financial assets or liabilities at fair value through profit or loss	(14,162)	(51,023)
Interest expense	12,887	18,291
Interest revenue	(13,572)	(16,823)
Dividend revenue	(5,565)	(2,014)
Share of profit of associates accounted for using the equity method	(50,655)	(24,187)
Loss from disposal of property, plant and equipment	128	29
Gain on disposal of investments	-	(14,889)
Others	(62)	(2)
Total adjustments to reconcile profit	471,506	424,434
Changes in operating assets and liabilities:		
Changes in operating assets:		
Current financial assets at fair value through profit or loss	(121,978)	(107,439)
Notes and accounts receivable	(93,699)	(404,813)
Other receivables	(35,788)	35,089
Inventories	(806,428)	169,633
Prepayments and other current assets	13,511	(7,826)
Total changes in operating assets	(1,044,382)	(315,356)
Changes in operating liabilities:		
Contract liabilities	39,228	(20,150)
Accounts payable	178,864	278,901
Accounts payable to related parties	27,335	(58)
Other payables	227,315	(752,103)
Net defined benefit liability	(20,669)	(2,147)
Total changes in operating liabilities	452,073	(495,557)
Net changes in operating assets and liabilities	(592,309)	(810,913)
Total adjustments	(120,803)	(386,479)
Cash inflow generated from operations	1,948,083	1,205,112
Interest received	14,146	16,932
Dividends received	5,565	2,014
Interest paid	(12,920)	(18,225)
Income taxes paid	(375,821)	(304,611)
Net cash flows from operating activities	1,579,053	901,222
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(288)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	15,866	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	4,551
Acquisition of financial assets at fair value through profit or loss	(82,957)	(20,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	48,006
Acquisition of investments accounted for using equity method	(69,922)	(52,968)
Proceeds from disposal of investments accounted for using equity method	-	274
Acquisition of property, plant and equipment	(1,206,441)	(675,964)
Proceeds from disposal of property, plant and equipment	1,208	462
Increase in other non-current assets	(22,429)	(4,943)
Increase in prepayments for business facilities	(252,032)	(12,728)
Dividends received	26,229	20,558
Net cash flows used in investing activities	(1,590,766)	(692,752)
Cash flows used in financing activities:		
(Decrease) increase in short-term borrowings	(142,275)	664,662
Proceeds from long-term borrowings	943,676	723,932
Repayments of long-term borrowings	(16,923)	(369,264)
Payment of lease liabilities	(21,204)	(18,629)
Increase (decrease) in other non-current liabilities	2,039	(53)
Cash dividends paid	(1,263,926)	(1,105,936)
Change in non-controlling interests	35,653	(217,403)
Net cash flows used in financing activities	(462,960)	(322,691)
Effect of exchange rate changes on cash and cash equivalents	(30,873)	(2,083)
Net decrease in cash and cash equivalents	(505,546)	(116,304)
Cash and cash equivalents at beginning of period	4,459,782	4,576,086
Cash and cash equivalents at end of period	\$ 3,954,236	4,459,782

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Holy Stone Enterprise Co., Ltd. (the “Company”) was legally established with the approval of the Ministry of Economic Affairs (R.O.C.) on June 1, 1981, with registered address at 1F., No.62, Sec. 2, Huang Shan Rd., Nei Hu Dist, Taipei City, Taiwan (R.O.C.). The major business activities of the Company and its subsidiaries (the “Group”) are manufacturing and sales MLCC, integrated circuits, modules, and other electronic components, and the whole sale of western medicine and medical devices.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issue by the Board of Directors on March 9, 2022.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018 – 2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies have been applied consistently throughout to all periods presented in these consolidated financial statements.

(a) Statement of compliance

The consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities (at assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(o).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Principal activity	Share holding		Note
			December 31, 2021	December 31, 2020	
The Company	Holy Stone Enterprise (Hong Kong) Co., Ltd. (HSHK, Hong Kong)	Sale of MLCC and electronic products	100.00%	100.00%	-
The Company	Holy Stone Holdings Co., Ltd. (HSH, Samoa)	Investment activities	100.00%	100.00%	-
The Company	UHOLY Investment Co., Ltd. (Uholy, Taiwan)	Investment activities	100.00%	100.00%	-
The Company	Martek Co., Ltd. (Martek, Taiwan)	Sale of electronic products	100.00%	100.00%	-
The Company	Holy Stone Industry India Private Limited (HSI, India)	Retail sale of Electronic Parts and components	100.00%	- %	(Note 2)
The Company	Jung Chan Investments Co., Ltd. (JCI, Taiwan)	Investment activities	100.00%	100.00%	-
HSH	Holy Stone Investments Co., Ltd. (HSIC, Hong Kong)	Investment activities	100.00%	100.00%	-
HSH	Holypaq Corporation (HC, Cayman)	Investment activities	100.00%	100.00%	-
HSH	Green Glory Holdings Ltd. (GGH, Samoa)	Investment activities	100.00%	100.00%	-
HSH	Mayatek Co., Ltd. (Mayatek, Belize)	Sale of electronic products	100.00%	100.00%	-
HSH	Everplus Material Co., Ltd. (EPM, Japan)	Production and sale of electronic	100.00%	100.00%	-
HSH	Holy Stone Holdings (Singapore) Pte. Ltd. (HSHS, Singapore)	Electronic retail-trading	100.00%	100.00%	-
HSIC	Holy Stone International Trading (ShanHai) Co., Ltd (HSITC, China)	Sale of electronic products	100.00%	100.00%	-
HSIC	Infortech (CHINA) Co., Ltd. (He Chi, China)	Sale of electronic products	100.00%	100.00%	-
GGH	Milestone Global Technology Ltd. (MDT, USA)	Sale of electronic products	100.00%	100.00%	-
GGH	Holy Stone (Europe) Ltd. (HSE, UK)	Electronic retail-trading	100.00%	100.00%	-
UHOLY	Holy Stone Healthcare Co., Ltd. (HSHC, Taiwan)	Selling medicine and medical equipment	34.57%	34.57%	(Note 1)

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	Share holding		Note
			December 31, 2021	December 31, 2020	
HSHC	Global Search Holdings Ltd. (GSH, Samoa)	Investment activities	100.00%	100.00%	-
HSHC	MDT INT'L SA (MDT, Switzerland)	Developing medicine and selling medical equipment	100.00%	100.00%	
GSH	AIHOL Corporation (AIHOL, USA)	Developing medicine	100.00%	100.00%	
GSH	Holy Stone Biotech Co., Ltd. (Biotech, UK)	Developing medicine and selling medical equipment	100.00%	100.00%	-
JCI	OHGA Smarthings Co., Ltd (OHGA, Taiwan)	Manufacturing and selling of electronic products	71.06%	70.00%	(Note 3)
JCI	Holy Stone Healthcare Co., Ltd. (HSHC, Taiwan)	Selling medicine and medical equipment	2.10%	3.45%	(Note 1)
JCI	Herztek Incorporation (Herztek, Taiwan)	Sale of electronic products	100.00%	100.00%	-

Note 1: The Group has the right to hold the majority of the voting rights of the Board of Directors meeting of HSHC, so it is regard as a subsidiary.

Note 2 The Company established a subsidiary, HSI, which has been listed as a subsidiary in the consolidated financial report since January 2021.

Note 3: In May 2021, the Group purchased its shares from other shareholders of OHGA Smarthings Co., Ltd., acquiring 228 thousand shares for \$2,166, increasing the shareholding ratio from 70% to 71.06%.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group, therefore, those receivables are measured at FVOCI. However, they are included in the 'accounts receivables' line item.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Accounts receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'accounts receivables' line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings and structures	3 ~ 50 years
2) Machinery and equipment	1 ~ 8 years
3) Other facilities	1 ~ 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
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Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Sale of goods

The Group manufactures and sells MLCC, integrated circuits, modules and other electronic components. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the Group notify employee the price and number of a new award.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows.

When the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to note 6(d) for further description of the impairment of accounts receivable.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(f) for further description of the valuation of inventories.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to note 6(x) for assumptions used in measuring fair value.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 2,808	1,469
Demand and check deposit	2,133,826	2,584,471
Time deposit	1,817,602	1,873,842
	\$ 3,954,236	4,459,782

Please refer to note 6(x) for the disclosure of the interest rate risk and the sensitivity analysis for financial assets and liabilities.

(b) Financial assets at fair value through profit or loss

	December 31, 2021	December 31, 2020
Current :		
Foreign and domestic stocks	\$ 203,115	137,923
Fund beneficiary certificates	250,620	171,072
	\$ 453,735	308,995
Non-current :		
Foreign listed stocks	\$ 6,023	9,905
Domestic unlisted stocks	95,070	18,183
	\$ 101,093	28,088

(c) Financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Domestic and foreign stocks	\$ 57,937	84,940

(i) Equity investments at fair value through other comprehensive income

The Group designated the investment shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purpose.

In 2021, the Group designated as a company that is measured at fair value through other comprehensive income and loss to conduit liquidation was \$15,866. The accumulated disposal losses was \$7,669, which was recognized as other comprehensive income, and thereafter, was reclassified to retained earnings.

(ii) For credit risk and market risk, please refer to note 6(x).

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) As of December 31, 2021 and 2020, the aforementioned financial assets were not pledged as collateral.

(d) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 153,821	91,731
Accounts receivable	3,072,262	3,042,772
Less: loss allowance	<u>(27,721)</u>	<u>(25,307)</u>
	<u>\$ 3,198,362</u>	<u>3,109,196</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information. The loss allowance provisions were determined as follows:

	December 31, 2021		
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
Current	\$ 3,180,753	0%~10%	3,190
1 to 30 days past due	22,833	1%~40%	5,979
31 to 60 days past due	4,612	1%~100%	903
More than 61 days past due	<u>17,885</u>	50%~100%	<u>17,649</u>
	<u>\$ 3,226,083</u>		<u>27,721</u>

	December 31, 2020		
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
Current	\$ 3,101,439	0%~10%	4,499
1 to 30 days past due	15,491	1%~40%	3,899
31 to 60 days past due	1,454	1%~100%	872
More than 61 days past due	<u>16,119</u>	50%~100%	<u>16,037</u>
	<u>\$ 3,134,503</u>		<u>25,307</u>

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The movement in the allowance for notes and accounts receivable were as follows:

	For the years ended December 31,	
	2021	2020
Balance at January 1	\$ 25,307	26,405
Impairment losses recognized	4,898	-
Impairment losses reversed	-	(1,403)
Amounts written off	(2,119)	(30)
Foreign exchange gain (losses)	(365)	335
Balance at December 31	\$ 27,721	25,307

As of December 31, 2021 and 2020, the aforementioned notes and accounts receivable of the Group were not pledged as collaterals.

(e) Other receivables

	December 31, 2021	December 31, 2020
Income tax refund receivables	\$ 87,500	62,866
Purchases discount receivables	66,093	38,564
Interest receivable	934	1,508
Others	3,397	19,772
	\$ 157,924	122,710

As of December 31, 2021 and 2020, other receivables were not past due nor impaired.

For further credit risk information, please refers to note 6(x).

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$ 295,623	162,342
Supplies	29,553	24,972
Work in progress	201,293	187,954
Semi-finished goods	49,614	93,672
Finished goods	832,817	606,126
Merchandise	1,678,497	1,205,903
	<u>\$ 3,087,397</u>	<u>2,280,969</u>

For the years ended December 31, 2021 and 2020 the Group recognized cost of sales and operating expense amounted to \$12,930,801 and \$11,750,810, respectively. For the years ended December 31, 2021 and 2020, the gain of \$52,736 and \$23,751 were recognized from the reversal of provision arising from scrapping, where in such loss were included in cost of sales.

As of December 31, 2021 and 2020, the inventories were not pledged.

(g) Investments accounted for using the equity method

A summary of the Group' s financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2021	December 31, 2020
Associates	<u>\$ 470,390</u>	<u>376,166</u>

As of December 31, 2021 and 2020, the Group did not provide any investments accounted for using the equity method as collateral for its loans.

(h) Changes in parent's ownership interest in a subsidiary

(i) Acquisitions of NCI

In May 2021, the Group acquired an additional interest in OHGA Smarththings Co., Ltd. for \$2,166 in cash, increasing the shareholding ratio from 70.00% to 71.06%.The Group did not have any transaction of the subsidiary in 2020.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

In October 2020, the Group acquired an additional 42.31% interest in Uholy Investment Co., Ltd. for \$247,500 in cash, increasing the shareholding ratio from 57.69% to 100.00%. The Group did not have any transaction of the subsidiary in 2021.

The effects of the changes in shareholdings were as follows:

	December 31, 2021	December 31, 2020
Carrying amount on acquisition	\$ 2,168	229,771
Consideration	(2,166)	(247,500)
Retained earnings—Capital surplus differences between consideration and carrying amounts subsidiaries acquired	\$ 2	(17,729)

(ii) Disposal of part of equity ownership of subsidiaries without losing control

The Group disposed 1.35% of HSHC' s equity ownership in 2021 for \$36,883, but did not result in losing its control over HSHC.

The Group disposed 1.04% of HSHC' s equity ownership in 2020 for \$30,095, but did not result in losing its control over HSHC.

The following summarizes the effect of changes in equity of parent due to changes in the ownership interest of subsidiaries:

	2021	2020
Book value of the non-controlling interest	\$ (6,549)	(6,434)
Consideration transferred from the non-controlling interest	36,883	30,095
Other equity-exchanges differences on translation of foreign financial statements	(116)	(42)
Capital surplus-difference between consideration and carrying amount of subsidiaries acquired or disposed	\$ 30,218	23,619

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Building and structures	Machinery and equipment	Other facilities	Construction in Progress and testing equipment	Total
Cost:						
Balance at January 1, 2021	\$ 872,870	1,686,862	3,530,490	513,092	710,419	7,313,733
Additions	51,984	1,843	17,189	22,885	1,112,540	1,206,441
Reclassification	-	16,336	82,410	28,011	(126,757)	-
Disposal	-	(3,154)	(23,296)	(9,105)	-	(35,555)
Effect of movements in exchange rates	-	(11,864)	(13,735)	(781)	-	(26,380)
Balance at December 31, 2021	<u>\$ 924,854</u>	<u>1,690,023</u>	<u>3,593,058</u>	<u>554,102</u>	<u>1,696,202</u>	<u>8,458,239</u>
Balance at January 1, 2020	\$ 872,870	1,666,413	3,373,294	491,429	-	6,404,006
Additions	-	1,408	1,426	11,915	661,215	675,964
Reclassification	-	17,378	164,764	22,444	49,204	253,790
Disposal	-	(953)	(9,320)	(12,855)	-	(23,128)
Effect of movements in exchange rates	-	2,616	326	159	-	3,101
Balance at December 31, 2020	<u>\$ 872,870</u>	<u>1,686,862</u>	<u>3,530,490</u>	<u>513,092</u>	<u>710,419</u>	<u>7,313,733</u>
Accumulated depreciation:						
Balance at January 1, 2021	\$ -	641,200	2,641,784	419,636	-	3,702,620
Depreciation	-	85,998	373,653	53,343	-	512,994
Disposal	-	(3,154)	(23,231)	(7,834)	-	(34,219)
Effect of movements in exchange rates	-	(4,360)	(8,866)	(620)	-	(13,846)
Balance at December 31, 2021	<u>\$ -</u>	<u>719,684</u>	<u>2,983,340</u>	<u>464,525</u>	<u>-</u>	<u>4,167,549</u>
Balance at January 1, 2020	\$ -	548,669	2,294,502	386,253	-	3,229,424
Depreciation	-	92,216	356,244	45,862	-	494,322
Disposal	-	(953)	(9,082)	(12,547)	-	(22,582)
Effect of movements in exchange rates	-	1,268	120	68	-	1,456
Balance at December 31, 2020	<u>\$ -</u>	<u>641,200</u>	<u>2,641,784</u>	<u>419,636</u>	<u>-</u>	<u>3,702,620</u>
Carrying amounts:						
Balance at December 31, 2021	<u>\$ 924,854</u>	<u>970,339</u>	<u>609,718</u>	<u>89,577</u>	<u>1,696,202</u>	<u>4,290,690</u>
Balance at January 1, 2020	<u>\$ 872,870</u>	<u>1,117,744</u>	<u>1,078,792</u>	<u>105,176</u>	<u>-</u>	<u>3,174,582</u>
Balance at December 31, 2020	<u>\$ 872,870</u>	<u>1,045,662</u>	<u>888,706</u>	<u>93,456</u>	<u>710,419</u>	<u>3,611,113</u>

As of December 31, 2021 and 2020, the property, plant and equipment of the Group had been pledged as collateral for short-term and long-term borrowings; please refer to note 8.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Right-of-use assets

The Group leases many assets including buildings and other facilities. Information about leases for which the Group as a lessee was presented below:

	Building and construction	Other facilities	Total
Cost:			
Balance at January 1, 2021	\$ 73,566	5,688	79,254
Additions	25,694	5,633	31,327
Disposal	(4,732)	(2,081)	(6,813)
Effect of changes in foreign exchange rates	(815)	(161)	(976)
Balance at December 31, 2021	<u>\$ 93,713</u>	<u>9,079</u>	<u>102,792</u>
Balance at January 1, 2020	\$ 55,077	5,686	60,763
Additions	18,414	-	18,414
Effect of changes in foreign exchange rates	75	2	77
Balance at December 31, 2020	<u>\$ 73,566</u>	<u>5,688</u>	<u>79,254</u>
Accumulated depreciation:			
Balance at January 1, 2021	\$ 33,937	3,708	37,645
Depreciation for the year	19,372	2,226	21,598
Disposal	(933)	(1,198)	(2,131)
Effect of changes in foreign exchange rates	(673)	(40)	(713)
Balance at December 31, 2021	<u>\$ 51,703</u>	<u>4,696</u>	<u>56,399</u>
Balance at January 1, 2020	\$ 17,079	1,500	18,579
Depreciation for the year	16,811	2,209	19,020
Effect of changes in foreign exchange rates	47	(1)	46
Balance at December 31, 2020	<u>\$ 33,937</u>	<u>3,708</u>	<u>37,645</u>
Carrying amount:			
Balance at December 31, 2021	<u>\$ 42,010</u>	<u>4,383</u>	<u>46,393</u>
Balance at January 1, 2020	<u>\$ 37,998</u>	<u>4,186</u>	<u>42,184</u>
Balance at December 31, 2020	<u>\$ 39,629</u>	<u>1,980</u>	<u>41,609</u>

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group in 2021 and 2020, were as follows:

	<u>Goodwill</u>	<u>Other intangible assets</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021	\$ 541,940	55,658	597,598
Effect of movement in exchange rates	-	(3,101)	(3,101)
Balance at December 31, 2021	<u>\$ 541,940</u>	<u>52,557</u>	<u>594,497</u>
Balance at January 1, 2020	\$ 541,940	53,617	595,557
Effect of movement in exchange rates	-	2,041	2,041
Balance at December 31, 2020	<u>\$ 541,940</u>	<u>55,658</u>	<u>597,598</u>
Amortization and impairment loss:			
Balance at January 1, 2021	\$ 541,940	41,914	583,854
Amortization for the year	-	2,969	2,969
Effect of movement in exchange rates	-	(2,398)	(2,398)
Balance at December 31, 2021	<u>\$ 541,940</u>	<u>42,485</u>	<u>584,425</u>
Balance at January 1, 2020	\$ 541,940	37,342	579,282
Amortization for the year	-	3,060	3,060
Effect of movement in exchange rates	-	1,512	1,512
Balance on December 31, 2020	<u>\$ 541,940</u>	<u>41,914</u>	<u>583,854</u>
Carrying amount:			
Balance at December 31, 2021	<u>\$ -</u>	<u>10,072</u>	<u>10,072</u>
Balance at January 1, 2020	<u>\$ -</u>	<u>16,275</u>	<u>16,275</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>13,744</u>	<u>13,744</u>

(i) Amortization and impairment losses

The amortization of intangible assets and impairment losses in 2021 and 2020 are included in the statement of comprehensive income:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Operating expenses	<u>\$ 2,969</u>	<u>3,060</u>

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Impairment losses

In 2021 and 2020, the Group's recoverable amount of the CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The recoverable amount was greater than its carrying amount and no impairment loss was recognized.

(l) Short-term borrowings

	December 31, 2021	December 31, 2020
Unsecured bank loans	\$ 1,953,251	2,118,526
Secured bank loans	50,000	27,000
Total	<u>\$ 2,003,251</u>	<u>2,145,526</u>
Unused short-term credit lines	<u>\$ 2,944,472</u>	<u>2,357,185</u>
Range of interest rates	<u>0.48%~1.50%</u>	<u>0.4%~2.79%</u>

For the collateral for short-term borrowings, please refer to note 8.

(m) Other payables

	December 31, 2021	December 31, 2020
Employee bonus payable	\$ 346,528	337,775
Compensation due to directors and supervisors	49,133	37,552
Payables on machinery and equipment	155,580	32,462
Salaries and bonus payables	183,050	106,823
Professional service payables	106,616	108,695
Commission payables	1,539	3,602
Labor/health insurance payables	19,863	16,266
Others	281,335	273,187
	<u>\$ 1,143,644</u>	<u>916,362</u>

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Long-term borrowings

The details were as follows:

December 31, 2021				
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	0.4%	116~117	\$ 1,367,608
Unsecured bank loans	JPY	0.855%	111	7,422
Secured bank loans	TWD	1.11%	114	8,249
Less: current portion				(9,941)
Total				\$ 1,373,338
Unused long-term credit lines				\$ 632,392
December 31, 2020				
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	0.4%	116	\$ 423,932
Unsecured bank loans	JPY	0.855%	111	25,509
Secured bank loans	TWD	1.11%	114	10,357
Less: current portion				(19,296)
Total				\$ 440,502
Unused long-term credit lines				\$ 1,576,068

For the collateral for long-term borrowings, please refer to note 8.

(o) Lease liabilities

The Group's finance lease liabilities were as follows:

	December 31, 2021	December 31, 2020
Current	\$ 19,957	13,404
Non-current	\$ 27,196	28,721

For the maturity analysis, please refer to note 6(x).

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2021	2020
Interest on lease liabilities	\$ 769	735
Expenses relating to short-term leases	\$ 15,446	17,222

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the years ended December 31,	
	2021	2020
Total cash outflow for leases	\$ 37,419	36,586

(i) Real estate leases

As of December 31, 2021, the Group leases buildings for its office space and factory. The leases of office space and factory typically run for a period of one to five years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases other facilities, with lease terms of one to five years.

The Group also leases factory and other facilities with one year. These leases are short-term and/or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(p) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2021	December 31, 2020
Present value of the defined benefit obligations	\$ 180,510	185,659
Fair value of plan assets	(115,527)	(113,818)
	64,983	71,841
Effect of the asset ceiling	-	-
Net defined benefit liabilities	\$ 64,983	71,841

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$110,582 as of December 31, 2021. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

	2021	2020
Defined benefit obligations at January 1	\$ 185,659	176,106
Current service costs and interest cost	1,641	2,628
Remeasurements loss (gain):		
– Actuarial loss (gain) arising from financial assumptions	15,418	10,478
Benefits paid	(22,208)	(3,553)
Defined benefit obligations at December 31	\$ 180,510	185,659

3) Movements in fair value of plan assets

The movements in the value of the plan assets for the Group were as follows:

	2021	2020
Fair value of plan assets at January 1	\$ 113,818	109,864
Interest income	405	894
Remeasurements loss (gain):		
– Return on plan assets excluding interest income	1,607	2,733
Contributions paid by the employer	3,934	3,880
Benefits paid	(4,237)	(3,553)
Fair value of plan assets at December 31	\$ 115,527	113,818

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Movements of the effect of the asset ceiling

There is no change in the effect of the asset ceiling for 2021 and 2020.

5) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2021</u>	<u>2020</u>
Current service costs	\$ 991	1,219
Net interest of net liabilities for defined benefit obligations	245	515
	<u>\$ 1,236</u>	<u>1,734</u>
	<u>2021</u>	<u>2020</u>
Operating cost	\$ 1,448	1,447
Operating expenses	(212)	287
	<u>\$ 1,236</u>	<u>1,734</u>

6) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2021 and 2020, was as follows:

	<u>2021</u>	<u>2020</u>
Accumulated amount at January 1	\$ (88,280)	(80,534)
Recognized during the period	(13,811)	(7,746)
Accumulated amount at December 31	<u>\$ (102,091)</u>	<u>(88,280)</u>

7) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.650%	0.350%
Future salary increase rate	2.50%	2.500%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$3,900.

The weighted-average lifetime of the defined benefits plans is 12 years.

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

8) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligation	
	Increased 0.25%	Decreased 0.25%
December 31, 2021		
Discount rate	\$ 4,029	(4,167)
Future salary increasing (decreasing)	(3,989)	3,878
December 31, 2020		
Discount rate	4,434	(4,592)
Future salary increasing (decreasing)	(4,385)	4,258

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for December 31, 2021 and 2020 .

(ii) Defined contribution plans

The Group allocates 6% of each employee' s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contribution to the Bureau of the Labor Insurance amounted to \$59,897 and \$47,296 for the years ended December 31, 2021 and 2020, respectively.

(q) Income taxes

(i) Income tax expense

1) The components of income tax in the years 2021 and 2020 were as follows:

	2021	2020
Current tax expense		
Current period	\$ 209,923	348,351
Deferred tax expense		
Origination and reversal of temporary differences	22,453	13,450
	\$ 232,376	361,801

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 2) The amount of income tax recognized in other comprehensive income for 2021 and 2020 was as follows:

	2021	2020
Items that will not be reclassified to profit or loss:		
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	\$ -	1,571

- 3) Reconciliation of income tax and profit before tax for 2021 and 2020 is as follows:

	2021	2020
Profit before tax	\$ 2,068,886	1,591,591
Income tax using the Company's domestic tax rate	\$ 413,777	318,318
Basic income tax	3,074	-
Tax-exempt income and tax incentives	(638)	(514)
Current-year losses for which no deferred tax asset was recognized	40,664	-
Change in unrecognized temporary differences	(165,600)	18,261
Change in provision in prior periods	(980)	-
Additional tax on undistributed earnings	211	-
Effect of tax rates in foreign jurisdiction and others	(58,132)	25,736
	\$ 232,376	361,801

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020
Tax effect of deductible Temporary Differences	\$ 374,943	505,287

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

	Allowance for inventory valuation losses	Others	Total
Deferred tax assets:			
Balance at January 1, 2021	\$ 40,480	10,453	50,933
Recognized in profit or loss	(7,798)	(1,885)	(9,683)
Foreign currency translation differences for foreign operations	-	(6)	(6)
Balance at December 31, 2021	<u>\$ 32,682</u>	<u>8,562</u>	<u>41,244</u>
Balance at January 1, 2020	\$ 45,337	13,672	59,009
Recognized in profit or loss	(4,857)	(4,780)	(9,637)
Recognized in other comprehensive income	-	1,571	1,571
Foreign currency translation differences for foreign operations	-	(10)	(10)
Balance at December 31, 2020	<u>\$ 40,480</u>	<u>10,453</u>	<u>50,933</u>
	Profit or loss of subsidiary in equity	Others	Total
Deferred tax liabilities:			
Balance at January 1, 2021	\$ 68,211	-	68,211
Recognized in profit or loss	10,115	2,655	12,770
Balance at December 31, 2021	<u>\$ 78,326</u>	<u>2,655</u>	<u>80,981</u>
Balance at January 1, 2020	\$ 64,398	-	64,398
Recognized in profit or loss	3,813	-	3,813
Balance at December 31, 2020	<u>\$ 68,211</u>	<u>-</u>	<u>68,211</u>

(iii) Assessment of tax

The Company's tax returns for the years through 2018 were assessed by the Taipei National Tax Administration.

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(r) Capital and other equity

As of December 31, 2021 and 2020, the total value of authorized ordinary shares was amounted to \$4,500,000, respectively with a par value of \$10 per share, of which \$450,000 thousand shares. In addition, the issuance of ordinary shares each consisted of 157,991 thousand shares. All issued shares were paid up upon issuance.

The reconciliation of shares outstanding for 2021 and 2020 was as follows:

	Ordinary shares (in thousand of shares)	
	2021	2020
Balances on December 31	157,991	157,991

(i) Capital surplus

The balance of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Share capital	\$ 1,108,172	1,108,172
Additional paid-in capital arising from bond conversion	1,500,091	1,500,091
Capital surplus from merger	144,225	144,225
Employee share options	188,297	188,297
Employee compensation transferred to capital	15,410	15,410
Gain or loss on disposal of subsidiary share options	54,184	23,619
Expired share/stock options	130,146	130,146
	\$ 3,140,525	3,109,960

The Company decided to distribute cash dividends \$315,982 by capital surplus via the general meeting of shareholders held on June 9, 2020.

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Retained earnings

According to the Company's article of incorporation, if there is a surplus considering all accounts by the end of a fiscal year, the surplus shall be allocated in the following order:

- 1) Offset accumulated deficits from previous years.
- 2) 10% is to be appropriated as legal reserve, unless legal reserve has reached total paid-in capital.
- 3) Allocate a portion to special capital reserve, as required by relevant laws and regulations.
- 4) Any remaining profit together with any undistributed retained earnings, including the adjusted unappropriated retained earnings, after deduction of items (1) to (3) shall be allocated to shareholders according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval, wherein the distributable dividend and bonus may be paid by issuing new shares.

According to Article 240, paragraphs 5 of Company Act, the distributable dividends and bonus, in whole or in part, or the legal reserve and capital reserved, in whole or in part, which are brought in Article 241, paragraphs 1 of Company Act, may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting.

The Company formulated its dividend policy by considering the mid-to-long term operating growth and capital need for investing activities, together with the purpose of healthy financial structure. The board drafts an earnings distribution plan and proposes it to the annual general shareholders' meeting. The appropriation of the Company's net income may be distributed by ways of cash dividend and/or stock dividends considering future capital demand and stock dilution. Stock dividend accounts for 0% to 50% of total dividends, while cash dividend accounts for 50% to 100% of total dividends.

If there is no retained earnings to be distributed, or there is but way below the actual distribution from last fiscal year, or any concern with regard to finance/business/operation, the reserve could be distributed in accordance with regulations and authorities.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing fund, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Special reserve

In accordance with the regulations of the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amounts of cash dividends on the appropriation of earnings for 2020 and 2019 had been approved during the board meeting on March 10, 2021 and March 11, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	2020		2019	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 8.00	<u>1,263,926</u>	5.00	<u>789,954</u>

The amount of cash dividends on appropriation of earning for 2021 been approved during the board meeting on March 9, 2022. The relevant dividend distributions to shareholders were as follows:

	2021	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 9.00	<u>1,421,917</u>

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2021	\$ (51,074)	(71,310)	(122,384)
Exchange differences on foreign operations:			
The Company	(37,914)	-	(37,914)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
Subsidiaries	\$ -	(11,225)	(11,225)
Disposal of investments in equity instruments designate at fair value through other comprehensive income			
Subsidiaries	-	7,669	7,669
Balance at December 31, 2021	<u>\$ (88,988)</u>	<u>(74,866)</u>	<u>(163,854)</u>

Balance at January 1, 2020	\$ (47,294)	(81,527)	(128,821)
Exchange difference on foreign operations:			
The Company	(3,780)	-	(3,780)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Company	-	(6,283)	(6,283)
Subsidiaries	-	16,500	16,500
Balance at December 31, 2020	<u>\$ (51,074)</u>	<u>(71,310)</u>	<u>(122,384)</u>

(s) Share-based payments

- (i) As of December 31, 2021, the share-based payment arrangements of Holy Stone Healthcare Co., Ltd., was as follows:

	<u>Equity-settled</u> <u>Employee stock options</u>
Fair value at grant date	2021.7.12
Number of shares granted	3,390,000
Contract term	5 years
Recipients	Employee
Vesting conditions	Provide future service of 2~4 years

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Determining the fair value of equity instruments granted

Holy Stone Healthcare Co., Ltd. used "Black-Scholes" method in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	Equity-settled
	Employee stock options
Fair value at grant date (in New Taiwan Dollars)	11.68
Share price at grant date (in New Taiwan Dollars)	-
Exercise price (in New Taiwan Dollars)	21.00
Expected volatility (%)	52.19 ; 49.30 ; 47.88
Expected life (years)	5
Expected dividend (%)	-
Risk-free interest rate (%)	0.1983 ; 0.2361 ; 0.2685

Holy Stone Healthcare Co., Ltd. is unlisted OTC company, which is based on the average historical 3, 4 and 5 year volatility.

(iii) Determining of share-based payment arrangements

Details of the employee stock options was as follows:

	2021	
(in New Taiwan Dollars/units)	Weighted average exercise price	Number of options
Outstanding at January 1	\$ -	-
Granted during the year (number)	21.00	3,500,000
Forfeited during the year (number)	-	-
Exercised during the year (number)	-	-
Expired during the year (number)	-	-
Other (number)	-	(110,000)
Outstanding at December 31	21.00	<u><u>3,390,000</u></u>
Exercisable at December 31	-	<u><u>-</u></u>

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The detail of the share option of Holy Stone Healthcare Co., Ltd. as of December 31, 2021 was as follows:

	December 31, 2021
Range of exercise price (in New Taiwan Dollars)	\$ 21.00
Weighted average of remaining contractual period (years)	4.53

(iv) Expense recognized in profit or loss

Holy Stone Healthcare Co., Ltd. incurred expenses of share-based arrangements in 2021 as follows:

	2021
Expense resulting from granted employee share options	\$ 937

(t) Earnings per share

(i) Basic earnings per share

1) Profit attributable to ordinary shareholders of the Company

	2021	2020
Profit attributable to ordinary shareholders of the Company	\$ 1,952,417	1,312,345

2) Weighted average number of outstanding ordinary shares

	2021	2020
(In thousands of shares)		
Weighted average number of ordinary shares at December 31	157,991	157,991

(ii) Diluted earnings per share

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2021	2020
Profit attributable to ordinary shareholders of the Company (basic)	\$ 1,952,417	1,312,345

2) Weighted average number of ordinary shares (diluted)

	2021	2020
Weighted average number of ordinary shares (basic)	\$ 157,991	157,991
Effect of employee share bonus	2,507	1,964
Weighted average number of ordinary shares (diluted) at December 31	\$ 160,498	159,955

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Revenue from contracts with customers

(i) Details of revenue

	2021		
	Electronic department	Other department	Total
Major products/service lines:			
Passive components	\$ 6,173,772	-	6,173,772
Active components	4,359,847	-	4,359,847
System and modules	3,676,718	-	3,676,718
Others	1,103,698	1,288,011	2,391,709
	<u>\$ 15,314,035</u>	<u>1,288,011</u>	<u>16,602,046</u>
	2020		
	Electronic department	Other departments	Total
Major products/service lines:			
Passive components	\$ 5,473,035	-	5,473,035
Active components	3,684,329	-	3,684,329
System and modules	3,097,285	-	3,097,285
Others	1,446,637	1,129,142	2,575,779
	<u>\$ 13,701,286</u>	<u>1,129,142</u>	<u>14,830,428</u>

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	\$ 153,821	91,731	72,657
Accounts receivables	3,072,262	3,042,772	2,657,060
Less: loss allowance	(27,721)	(25,307)	(26,405)
Total	<u>\$ 3,198,362</u>	<u>3,109,196</u>	<u>2,703,312</u>
Contract liabilities	<u>\$ 120,417</u>	<u>81,189</u>	<u>101,339</u>

For details on notes and accounts receivable and loss allowance, please refer to note 6(d).

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Remuneration to employees, directors and supervisors

In accordance with the articles of incorporation the Company should contribute no less than 7% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, including the adjusted unappropriated retained earnings, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. Employee compensation, directors, and in addition thereto, a report of such distribution shall only be submitted to the shareholders' meeting. The directors' and supervisors' remuneration should only be paid in cash. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$257,947 and \$197,148, and directors' and supervisors' remuneration amounting to \$49,133 and \$37,552, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors, as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during each period. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2021 and 2020.

(w) Other gains and losses

The details of other gains and losses were as follows:

	<u>2021</u>	<u>2020</u>
Dividend income	\$ 1,706	641
Gain on financial assets at fair value through profit and loss	27,337	66,573
Gain on disposals of investment	-	84
Foreign exchange losses	(37,257)	(32,155)
Others	14,186	23,872
	<u>\$ 5,972</u>	<u>59,015</u>

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Concentration of credit risk

The Group's majority customers are in high-tech industries, to reduce concentration of credit risk, the Group evaluates customers' financial positions periodically and requires its customers to provide collateral or promissory notes, if necessary.

3) Receivables

For credit risk exposure of notes and accounts receivables, please refer to note 6(d).

Other financial assets at amortized cost include other receivables.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period is limited to 12 months expected losses.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including the impact of estimated interest payments.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 2,003,251	2,005,701	2,005,701	-	-
Current contract liabilities	120,417	120,417	120,417	-	-
Accounts payable	1,232,048	1,232,048	1,232,048	-	-
Accounts payable to related parties	75,429	75,429	75,429	-	-
Other payables	1,143,644	1,143,644	1,143,644	-	-
Lease liabilities	47,153	48,732	20,516	21,948	6,268
Long-term loans	1,383,279	1,405,263	15,520	1,038,148	351,595
	\$ 6,005,221	6,031,234	4,613,275	1,060,096	357,863
December 31, 2020					
Non-derivative financial liabilities					
Short-term borrowings	\$ 2,145,526	2,147,682	2,147,682	-	-
Current contract liabilities	81,189	81,188	81,188	-	-
Accounts payable	1,053,184	1,053,184	1,053,184	-	-
Accounts payable to related parties	48,094	48,094	48,094	-	-
Other payables	916,362	916,362	916,362	-	-
Lease liabilities	42,125	46,560	15,366	21,491	9,703
Long-term loans	459,798	467,843	21,257	284,963	161,623
	\$ 4,746,278	4,760,913	4,283,133	306,454	171,326

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 88,372	27.6800	2,446,148	81,939	28.4800	2,333,622
EUR	1,639	31.3200	51,336	1,180	35.0200	41,318
HKD	20,356	3.5490	72,244	19,161	3.6730	70,379
GBP	309	37.3000	11,517	294	38.9000	11,425
JPY	426,214	0.2405	102,504	464,731	0.2763	128,405
CNY	24,120	4.3440	104,778	39,542	4.3770	173,074
NTD	3,974	1.0000	3,974	4,692	1.0000	4,692
<u>Non-monetary items</u>						
USD	1,236	27.6800	34,214	910	28.4800	25,915
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	76,587	27.6800	2,119,922	92,357	28.4800	2,630,329
EUR	202	31.3200	6,323	180	35.0200	6,321
HKD	821	3.5490	2,913	951	3.6730	3,494
GBP	226	37.3000	8,423	270	38.9000	10,489
JPY	78,670	0.2405	18,920	80,729	0.2763	22,306
CNY	665	4.3440	2,887	696	4.3770	3,046
NTD	2,236	1.0000	2,236	2,533	1.0000	2,533

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables, other receivables, loans, accounts payable, and other payable that are denominated in foreign currency.

A strengthening (weakening) of 5% of the NTD against the USD, EUR, JPY, HKD, GBP and CNY as of December 31, 2021 and 2020 would have increased (decreased) the net profit after tax by \$31,544 and \$4,220, respectively. The analysis for the two periods were on the same basis.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(37,257) and \$(32,155), respectively.

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1% of basis points, the Group's net income would have increased / decreased by \$33,865 and \$26,053 for the year ended December 31, 2021 and 2020, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's borrowing at floating variable rates and investment in variable-rate bills.

(v) Other market price risk

If the equity price changes, the impact to comprehensive income, using the sensitivity analysis based on the same variables except for the price index for both periods, will be as follows:

<u>Prices of securities at the reporting date</u>	2021		2020	
	Other comprehensive income after tax		Other comprehensive income after tax	
	Net income	Net income	Net income	Net income
Increasing 1%	\$ -	2,091	-	1,478
Decreasing 1%	\$ -	(2,091)	-	(1,478)

Information related to major foreign currency equity investment on the report date is as follows:

	December 31, 2021			December 31, 2020		
	Currency	Rate	NTD	Currency	Rate	NTD
USD	218	27.680	6,023	348	28.480	9,905

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(vi) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 554,828	459,758	-	95,070	554,828
Financial assets at fair value through other comprehensive income	57,937	-	-	57,937	57,937
Financial assets measured at amortized cost:					
Cash and cash equivalents	3,954,236	-	-	-	-
Notes and accounts receivable, net	3,198,362	-	-	-	-
Other receivables	157,924	-	-	-	-
Subtotal	7,310,522	-	-	-	-
Total	\$ 7,923,287	459,758	-	153,007	612,765
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 2,003,251	-	-	-	-
Current contract liabilities	120,417	-	-	-	-
Accounts payable	1,232,048	-	-	-	-
Accounts payable to related parties	75,429	-	-	-	-
Other payables	1,143,644	-	-	-	-
Lease liabilities	47,153	-	-	-	-
Long-term borrowings	1,383,279	-	-	-	-
Subtotal	6,005,221	-	-	-	-
Total	\$ 6,005,221	-	-	-	-

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 337,083	318,900		18,183	337,083
Financial assets at fair value through other comprehensive income	84,940	-	-	84,940	84,940
Financial assets measured at amortized cost:					
Cash and cash equivalents	4,459,782	-	-	-	-
Notes and accounts receivable, net	3,109,196	-	-	-	-
Other receivables	122,710	-	-	-	-
Subtotal	7,691,688	-	-	-	-
Total	\$ 8,113,711	318,900	-	103,123	422,023
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 2,145,526	-	-	-	-
Current contract liabilities	81,189	-	-	-	-
Accounts payable	1,053,184	-	-	-	-
Accounts payable to related parties	48,094	-	-	-	-
Other payables	916,362	-	-	-	-
Lease liabilities	42,125	-	-	-	-
Long-term borrowings	459,798	-	-	-	-
Subtotal	4,746,278	-	-	-	-
Total	\$ 4,746,278	-	-	-	-

2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

2.1) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

2.2) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

The book values of the Group's loans and receivables, financial asset carried at cost, and financial liabilities measured at amortized cost are similar to their fair values.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Valuation techniques for financial instruments measured at fair value

3.1) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The fair value of financial instruments with an active market were as follow according to the categories and attributes:

The listed stock is traded in the active market and its fair value is based on the quoted market price accordingly.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method or other valuation techniques including a models using observable market data at the reporting date.

3.2) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss-debt investment" and "fair value through other comprehensive income – equity investments" .

(y) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how the management supervision is in compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instrument fails to meet its contractual obligations, that arises principally from the Group's accounts receivables and investments in securities.

1) Accounts receivable Trade and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

Since the Group has a large customer, it does not significantly focus on dealing with a single customer; therefore, there is no significant concentration of the risk of account receivable. In order to reduce the credit risk, the Group also regularly assesses the financial status of its customers, if necessary, and will require its customers to provide security or guarantee.

The Group sets allowance for doubtful accounts to reflect the estimated loss resulted from its accounts and notes receivable. The main portion of allowance for doubtful accounts included specific loss component related to significant exposure and loss component occurred but not recognized on similar group of assets. The allowance for doubtful accounts of the Group was based on the statistic information of past payment of similar financial assets.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance and accounting department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

As of December 31, 2021 and 2020, no other guarantees were outstanding.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of 2021, the Group's unused credit line amounted to \$3,576,864 and \$3,933,253, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group devoted in foreign exchange purchases and sales, forming the variable exposure from exchange rate. The management of exchange rate exposure is to use forward foreign exchange rate contract to manage the risk under the policy.

The loan interest is valued under the currency of principals. In general. The currency of loans shall be identical to the cash flow generated from operating activities, mostly NTD, but JPY and USD as well. The Group provides economic hedge and there is no need to sign for derivatives under such circumstances; hence the hedge accounting is not adopted.

When short-term imbalance happens to monetary assets and liabilities measured at foreign currency, the Group maintains its exposure risk within acceptable by buying or selling foreign currency at board exchange rate.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Interest rate risk

The risk of the changes in fair value and the cash flow risk are generated from the Group simultaneously borrowing at fixed and floating rate. The Group manages interest rate risk through keeping an adequate combination between fixed and floating interest rate and interest rate SWAP.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in equity securities. These are strategic investments and are not held for trading. The Group does not actively trade in these investments as the management of the Group minimizes the risk by holding different investment portfolios.

(z) Capital management

The Group's objectives for managing capital are to safeguard its capacity to continue to operate and provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce its cost of capital. The total capital and equity include share capital, capital surplus, retained earnings, and other equity, plus net debt.

As of December 31, 2021, the Group's capital management strategy is consistent with the prior year as of December 31, 2020. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2021 and 2020, is as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 6,185,807	5,086,114
Less: cash and cash equivalents	(3,954,236)	(4,459,782)
Net debt	\$ 2,231,571	626,332
Total equity	\$ 10,084,722	9,543,806
Less: adjustment	-	-
Adjusted equity	\$ 10,084,722	9,543,806
Debt-to-equity ratio	22.13%	6.56%

(aa) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020, were as follows:

(i) For right-of-use assets under leases, please refer to note 6(j).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash Flows	Acquisition	Non-cash changes Foreign exchange movement	Interest expense	Other	December 31, 2021
Lease liabilities	\$ 42,125	(21,973)	31,327	(351)	769	(4,744)	47,153

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	January 1, 2020	Cash Flows	Acquisition	Non-cash changes			December 31, 2020
				Foreign exchange movement	Interest expense	Other	
Lease liabilities	\$ 42,570	(19,364)	18,414	(228)	735	(2)	42,125

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements:

Name of related party	Relationship with the Group
eGalax_eMPIA Technology Inc.	An associate
Empia Technology Inc.	An associate

(b) Significant transactions with related parties

(i) Purchases and payables to related parties

	Purchases		Payables to related parties	
	2021	2020	December 31, 2021	December 31, 2020
Associate	\$ 416,370	288,108	75,429	48,094

The purchase price with related parties is not comparable to the purchase price with the third-party vendors as there are no similar products purchased from other vendors. The payment terms with related parties were no different from the payment terms given by other vendors.

(ii) As of December 31, 2021 and 2020, other receivables (reported in notes and accounts receivables, net) from related parties due to on behalf of the Group to collect and pay expenses and other expenditures, amounted to \$478 and \$277, respectively.

(iii) In October 2020, the Group purchased its shares from other shareholders of UHOLY Investment Co, Ltd., acquiring 16,500 thousand share for \$247,500 in cash increasing the shareholding ratio from 57.69% to 100%. All payments from this transaction are made.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	\$ 75,943	57,775

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
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(8) Pledged assets:

The carry values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Object</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	Bank loans	\$ 156,522	156,522
Buildings	Bank loans	50,515	52,317
Time deposit	Purchases and commodity tax guarantee	40,884	18,843
		<u>\$ 247,921</u>	<u>227,682</u>

(9) Commitments and contingencies:

(a) As of December 31, 2021 and 2020, the unused letters of credit amounted to \$135,000 and \$143,800, respectively.

(b) The unrecognized commitment of acquisition of property, plant and equipment were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Acquisition of property, plant and equipment	<u>\$ 365,899</u>	<u>303,826</u>

(c) An anti-trust investigation regarding the former Japanese subsidiary was filed against the Group in in March 2014. The Group has engaged attorneys to process the investigation and US Civil litigation. The anti-trust investigation was still in progress as of December 31, 2021.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

(a) The followings were the summary statements of employee benefits, depreciation, and amortization expenses by function:

By item	By function	2021			2020		
		Cost of Sale	Operating expenses	Total	Cost of Sale	Operating expenses	Total
Employee benefits							
Salary		426,889	835,924	1,262,813	349,318	713,468	1,062,786
Labor and health insurance		49,476	55,411	104,887	39,977	49,528	89,505
Pension		24,554	36,579	61,133	20,692	28,338	49,030
Remuneration of directors		-	50,028	50,028	-	36,632	36,632
Others		15,050	18,356	33,406	12,591	15,144	27,735
Depreciation		465,205	69,387	534,592	446,821	66,521	513,342
Amortization		-	3,017	3,017	-	3,113	3,113

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
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(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2021:

- (i) Loans to other parties: None
(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Holy Stone Holdings Co., Ltd.	2	1,972,779	142,675	138,400	-	-	1.40%	4,931,948	Y	N	N
0	The Company	Jung Chan Investments Co., Ltd.	2	1,972,779	150,000	150,000	-	-	1.52%	4,931,948	Y	N	N
0	The Company	Everplus Material Co., Ltd.	2	1,972,779	110,520	96,200	96,200	-	0.98%	4,931,948	Y	N	N

Note 1: The total amount available for endorsement provided to one entity shall not exceed 20% of the Company’ s net worth; and the total amount available endorsement provided to others shall not exceed 50% of the Company’ s net worth.

Note 2: Seven forms of relationships in which corporate guarantees exist are defined as follows:

- (a) At entity that is with business relationship.
(b) A Subsidiary which owned more than 50% by the guarantor.
(c) An investee owned more than 50% in total by both the guarantor and its subsidiary.
(d) An investee owned more than 90% by the guarantor or its subsidiary.
(e) Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
(f) An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
(g) The companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The inter-company transactions have been eliminated in the consolidated financial statements.

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Highest Percentage of ownership	Note	
				Shares (thousands)	Carrying value	Percentage of ownership (%)			Fair Value
The Company	Fuh Hwa Smart Energy Bond Fund I	-	Current financial asset at fair value through profit or loss Fund beneficiary certificate	2,997	33,324	-	33,324	2,997	-
The Company	Fuh Hwa Smart Energy Bond Fund II	-	“	12,660	142,610	-	142,610	12,660	-
The Company	INVESCO QQQ ETF	-	“	1	6,607	-	6,607	1	-
The Company	SPDR S&P500 ETF	-	“	1	13,147	-	13,147	1	-
The Company	MSCI EMERGING MKT ETP	-	“	1	1,352	-	1,352	1	-
The Company	FIDELITY FNDJAPAN	-	“	14	7,085	-	7,085	14	-
The Company	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial asset at fair value through profit or loss-Domestic stock	90	55,350	-	55,350	90	-
The Company	GSI TECHNOLOGY INC. Stock	-	Non-current financial asset at fair value through profit or loss	47	6,023	0.20%	6,023	47	-

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership	Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair Value		
The Company	CNO Co., Ltd. Stock	-	Non-current financial asset at fair value through profit or loss	1,400	-	12.28%	-	1,400	-
Martek Co., Ltd.	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial asset at fair value through profit or loss-Domestic stock	12	7,380	-	7,380	12	-
Holy Stone Enterprise (Hong Kong) Co., Limited	SPDR S&P500 ETF	-	Current financial asset at fair value through profit or loss - Fund beneficiary certificate	1	7,231	-	7,231	1	-
Holy Stone Enterprise (Hong Kong) Co., Limited	INVESCO QQQ ETF	-	"	1	4,405	-	4,405	1	-
Holy Stone Enterprise (Hong Kong) Co., Limited	FIDELITY FNDS-JAPAN	-	"	16	8,344	-	8,344	16	-
Holy Stone Enterprise (Hong Kong) Co., Limited	ALLANZ?EURO EQGR S_ATH2USD	-	"	15	8,580	-	8,580	15	-
Holy Stone Holdings Co., Ltd.	Greenvity Communications, Inc	-	Non-current financial asset at fair value through other comprehensive income	220	-	0.76%	-	220	-
Holy Stone Holdings Co., Ltd.	ISHARES RUSSELL1000 VALUE ETF	-	Current financial asset at fair value through profit or loss-Fund beneficiary certificate	1	1,394	-	1,394	1	-
Holy Stone Holdings Co., Ltd.	FIDELITY FNDS-JAPAN	-	"	11	5,562	-	5,562	11	-
Holy Stone Holdings Co., Ltd.	ALLANZ?EURO EQGR S_ATH2USD	-	"	10	5,720	-	5,720	10	-
Holy Stone Holdings Co., Ltd.	SPDR S&P500 ETF	-	"	1	5,259	-	5,259	1	-
UHOLY Investment Co., LTD.	METANOIA COMMUNICATIONS INC. Stock	-	Non-current financial asset at fair value through other comprehensive income	155	-	0.18%	-	155	-
UHOLY Investment Co., LTD.	IFIT Co., Ltd. Stock	-	"	269	-	-	-	269	-
UHOLY Investment Co., LTD.	Sen Yun Co., Ltd. Stock	-	"	140	-	-	-	140	-
UHOLY Investment Co., LTD.	C2 MICROSYSTEMS INC.	-	Non-current financial assets at fair value through profit or loss	1,200	-	3.20%	-	1,200	-
UHOLY Investment Co., LTD.	Win Win Precision Technology CO., LTD. Stock	-	"	1,388	22,903	3.05%	22,903	1,388	-
UHOLY Investment Co., LTD.	AZOTEK CO., LTD. Stock	-	"	981	31,377	1.63%	31,377	981	-
UHOLY Investment Co., LTD.	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial asset at fair value through profit or loss-Domestic stock	75	46,125	-	46,125	75	-
UHOLY Investment Co., LTD.	O-TA Precision Industry CO., LTD. Stock	-	"	70	10,290	-	10,290	70	-
UHOLY Investment Co., LTD.	NAN YA PRINTED CIRCUIT BOARD CORPORATION Stock	-	Current financial asset at fair value through profit or loss-Domestic stock	15	8,580	-	8,580	15	-

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership	Note
				Shares (thousands)	Carrying value	Percentage of ownership (%)	Fair Value		
UHOLY Investment Co., LTD.	CHILISIN ELECTRONICS CORP. Stock	-	Current financial asset at fair value through profit or loss-Domestic stock	1	95	-	95	80	-
Jung Chan Investment Co., Ltd.	JYA-NAY CO., LTD. Stock	-	Non-current financial asset at fair value through other comprehensive income	2,976	25,868	12.40%	25,868	2,976	-
Jung Chan Investment Co., Ltd.	EMPIA TECHNOLOGY CORPORATION Stock	-	"	1,846	24,874	11.99%	24,874	1,846	-
Jung Chan Investment Co., Ltd.	CNO Co., Ltd. Stock	-	Non-current financial asset at fair value through other comprehensive income	494	-	4.33%	-	494	-
Jung Chan Investment Co., Ltd.	METANOIA COMMUNICATIONS INC. Stock	-	"	27	-	0.04%	-	27	-
Jung Chan Investment Co., Ltd.	THROUGHTTEK CO., LTD. Stock	-	Non-current financial assets at fair value through profit or loss	140	2,156	0.54%	2,156	140	-
Jung Chan Investment Co., Ltd.	WOM ASIA CO., LTD. Stock	-	"	645	2,485	2.45%	2,485	645	-
Jung Chan Investment Co., Ltd.	Genovior Biotech Corporation Stock	-	"	3,590	28,002	7.03%	28,002	3,590	-
Jung Chan Investment Co., Ltd.	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial assets at fair value through profit or loss-Domestic stock	75	46,125	-	46,125	75	-
Jung Chan Investment Co., Ltd.	O-TA Precision Industry CO., LTD. Stock	-	"	70	10,290	-	10,290	70	-
Jung Chan Investment Co., Ltd.	TONG HSING ELECTRONIC INDUSTRIES, LTD. Stock	-	"	20	5,950	-	5,950	20	-
Jung Chan Investment Co., Ltd.	NAN YA PRINTED CIRCUIT BOARD CORPORATION Stock	-	"	10	5,720	-	5,720	10	-
Jung Chan Investment Co., Ltd.	King Yuan ELECTRONICS CO., LTD. Stock	-	"	30	1,344	-	1,344	30	-
OHGA Smarthings Co., Ltd.	EMPIA TECHNOLOGY CORPORATION Stock	-	Non-current financial asset at fair value through other comprehensive income	540	7,195	3.51%	7,195	540	-
OHGA Smarthings Co., Ltd.	THROUGHTTEK CO., LTD. Stock	-	Non-current financial assets at fair value through other profit or loss	140	2,156	0.54%	2,156	140	-
OHGA Smarthings Co., Ltd.	NFORE TECHNOLOGY CO., LTD. Stock	-	"	261	5,991	1.52%	5,991	261	-
OHGA Smarthings Co., Ltd.	Taiwan Semiconductor Manufacturing Company Limited Stock	-	Current financial assets at fair value through profit or loss-Domestic stock	8	4,920	-	4,920	8	-
OHGA Smarthings Co., Ltd.	CHILISIN ELECTRONICS CORP. Stock	-	"	10	946	-	946	10	-

(Continued)

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands units)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	21,970	300,000	21,970	300,150	300,000	150	-	-
The Company	Franklin Templeton Sinoam Money Market Fund	"	-	-	-	-	95,811	1,000,000	95,811	1,000,494	1,000,000	494	-	-
The Company	Prudential Financial Money Market Fund	"	-	-	-	-	18,802	300,000	18,802	300,192	300,000	192	-	-
The Company	Capital Money Market Fund	"	-	-	-	-	27,655	450,000	27,655	450,208	450,000	208	-	-
The Company	Taishin Ta-Chong Money Market Fund	"	-	-	-	-	41,861	600,000	41,861	600,198	600,000	198	-	-
Jung Chan Investment Co., Ltd.	Yuanta Wan Tai Money Market Fund	"	-	-	-	-	34,195	522,000	34,195	522,055	522,000	55	-	-

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	International Trading Co., Ltd (Shanghai)	Third-tier Subsidiary	Sale	(1,731,797)	(12.51)%	Next month-end 150 days	-	-	354,271	12.85%	Note
The Company	International Trading Co., Ltd (Shanghai)	Ultimate parent company	Purchase	1,731,797	91.52%	Next month-end 150 days	-	-	(354,271)	(90.16)%	Note
The Company	Holy Stone Enterprise Co., Limited (Hong Kong)	First-tier Subsidiary	Sale	(962,400)	(6.95)%	Next month-end 120 days	-	-	188,183	6.83%	Note
The Company	Holy Stone Enterprise Co., Limited (Hong Kong)	Ultimate parent company	Purchase	962,400	92.14%	Next month-end 120 days	-	-	(188,183)	(89.41)%	Note
The Company	Infortech (China) Co., Ltd	Third-tier Subsidiary	Sale	(747,382)	(5.40)%	This month-end 120 days	-	-	74,926	2.72%	Note
The Company	Infortech (China) Co., Ltd	Ultimate parent company	Purchase	747,382	69.74%	This month-end 120 days	-	-	(74,926)	(99.02)%	Note
EPM	The Company	Ultimate parent company	Sale	(796,695)	(100.00)%	This month-end 30 days	-	-	67,941	100.00%	Note
The Company	EPM	Third-tier Subsidiary	Purchase	430,806	4.26%	This month-end 30 days	-	-	(67,941)	(5.84)%	Note
eGalax Technology Inc	The Company	Affiliated company	Sale	(415,730)	(28.43)%	This month-end 30 days	-	-	75,429	33.50%	-
The Company	eGalax Technology Inc	Affiliated company	Purchase	415,730	4.11%	This month-end 30 days	-	-	(75,429)	(6.48)%	-

Note: The amount was eliminated in the consolidated financial statements.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance (Note)	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Holy Stone Enterprise (Hong Kong) Co., Limited	First-tier Subsidiary	188,183	7.05	-	-	97,332	-
The Company	International Trading Co., Ltd (Shanghai)	Third-tier Subsidiary	354,271	5.03	-	-	222,332	-

Note: The amount was eliminated in the consolidated financial statements.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Holy Stone Enterprise (Hong Kong) Co., Limited	1	Sales revenue	962,400	Next month-end 120 days	5.80%
0	The Company	Holy Stone Enterprise (Hong Kong) Co., Limited	1	Accounts Receivable	188,183	Next month-end 120 days	1.16%
0	The Company	International Trading Co., Ltd (Shanghai)	1	Sales revenue	1,731,797	Next month-end 150 days	10.43%
0	The Company	International Trading Co., Ltd (Shanghai)	1	Accounts Receivable	354,271	Next month-end 150 days	2.18%
0	The Company	Infotech (China) Co., Ltd	1	Sales revenue	747,382	This month-end 120 days	4.50%
0	The Company	Infotech (China) Co., Ltd	1	Accounts Receivable	74,926	This month-end 120 days	0.46%
1	EPM	The Company	2	Sales revenue	796,695	Next month-end in cash	4.80%
1	EPM	The Company	2	Accounts Receivable	67,941	Next month-end in cash	0.42%

Note 1: Company numbering as follow:

- (1) Parent Company—0.
- (2) Subsidiaries starting from 1.

Note 2: Relationship:

- (1) Transactions between parent Company and subsidiary.
- (2) Transactions between subsidiary and parent Company.
- (3) Transactions between subsidiary and subsidiary.

Note 3: Disclose only operating revenue and accounts receivable; related purchases, expense and payment are neglected.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

(In thousands of shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
The Company	Holy Stone Enterprise (Hong Kong) Co., Limited	Hong Kong	MLCC and electronic components trading	49,046	49,046	11,500	100.00%	353,971	11,500	19,623	19,623	Subsidiary of the Company
The Company	Holy Stone Holdings Co., Ltd.	Samoa	Investment activities	1,795,317	1,795,317	21,000	100.00%	594,467	21,000	76,705	71,771	Subsidiary of the Company
The Company	UHOLY Investment Co., Ltd.	Taipei City	Investment activities	472,500	472,500	39,000	100.00%	520,352	39,000	(11,486)	(16,002)	Subsidiary of the Company
The Company	Martek Co., Ltd.	Taipei City	Electric appliances precision instrument, computers and machinery and equipment selling	20,000	20,000	5,100	100.00%	57,765	5,100	5,010	5,010	Subsidiary of the Company
The Company	Jung Chan Investment Co., Ltd	Taipei City	Investment activities	340,000	340,000	42,100	100.00%	419,610	42,100	(5,405)	(5,551)	Subsidiary of the Company
The Company	Holy Stone Industry India Private Limited	India	Retail sale of Electronic Parts and components	29,260	-	7,400	100.00%	27,211	7,400	(241)	(241)	Subsidiary of the Company

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
The Company	eGalax_eMPIA Technology Inc	Taipei City	Product designing, wholesale and retail of electronic materials	122,683	52,761	2,165	3.53%	127,608	2,165	372,489	11,577	The Company's Investment accounted for using the equity
Holy Stone Holdings Co., Ltd.	Holy Stone Investments Co., Ltd	Hong Kong	Investment activities	190,992	196,512	6,900	100.00%	476,183	6,900	59,268	59,268	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Holypaq Corporation	Cayman Islands	Investment activities	33,216	34,176	1,200	100.00%	741	1,200	-	-	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Green Glory Holdings Ltd.	Samoa	Investment activities	34,340	35,333	1,310	100.00%	46,400	1,310	12,584	12,584	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Mayatek Co., Ltd.	Belize	Electric appliances precision instrument, computers and machinery and equipment selling	386,856	398,036	2,500	100.00%	97,330	2,500	9,311	9,311	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Everplus Material Co., Ltd.	Japan	Electric appliances precision instrument, computers and machinery and equipment selling	117,845	135,387	5	100.00%	135,554	5	8,915	8,915	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Holy Stone Holdings (Singapore) Pte. Ltd	Singapore	Retail sale of Electronic Parts and components	2,768	2,848	100	100.00%	6,760	100	136	136	Subsidiary of Holy Stone Holdings Co., Ltd.
Green Glory Holdings Ltd.	Milestone Global Technology Ltd.	America	Electronic components developing and selling	13,840	14,240	500	100.00%	29,853	500	7,805	7,805	Subsidiary of Green Glory Holdings
Green Glory Holdings Ltd.	Holystone(Europe) Ltd.	England	Retail sale of Electronic Parts and components	19,013	19,562	350	100.00%	16,321	350	4,822	4,822	Subsidiary of Green Glory Holdings
UHOLY INVESTMENT Co., LTD.	Holy Stone Healthcare Co., Ltd.	Taipei City	Wholesaling of western Medicine and medical instruments	683,837	683,837	42,436	34.57%	91,291	42,436	(181,308)	(62,678)	Subsidiary of UHOLY INVESTMENT Co., Ltd.
UHOLY INVESTMENT Co., LTD.	eGalax_eMPIA Technology Inc	Taipei, Taiwan	Retail sale of Electronic Parts and components	26,705	26,705	6,210	10.14%	331,587	6,210	372,489	37,766	Subsidiary of UHOLY INVESTMENT Co., Ltd.
Holy Stone Healthcare Co., Ltd.	MDT INTL SA	Switzerland	Electronic components developing and selling	78,768	78,768	2,550	100.00%	92,073	2,550	16,490	16,490	Subsidiary of Holy Stone Healthcare Co., Ltd.
Holy Stone Healthcare Co., Ltd.	Global Search Holdings Ltd.	Samoa	Wholesaling of western Medicine and medical instruments	96,316	84,036	3,210	100.00%	4,203	3,210	(10,674)	(10,674)	Subsidiary of Holy Stone Healthcare Co., Ltd.
Global Search Holdings Ltd.	Holy Stone Biotech Co., Ltd.	England	Development and trading of medical instruments and biotechnology services	66,539	61,432	1,590	100.00%	1,516	1,590	(5,703)	(5,703)	Second-tier subsidiary of Holy Stone Healthcare Co., Ltd.
Global Search Holdings Ltd.	AIHOL Corporation	America	Research development and patent application	21,314	16,234	10,750	100.00%	2,269	10,750	(4,884)	(4,884)	Second-tier subsidiary of Holy Stone Healthcare Co., Ltd.

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Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
Jung Chan Investments Co., Ltd.	OHGA Smarthings Co., Ltd.	New Taipei, Taiwan	Electronic appliances, audio-visual electronics manufacturing and medical instruments	334,806	332,640	15,348	71.06%	139,870	15,348	(9,070)	(6,431)	Subsidiary of Jung Chan Investments Co., Ltd.
Jung Chan Investments Co., Ltd.	Holy Stone Healthcare Co., Ltd.	Taipei City	Wholesaling of western Medicine and medical instruments	44,603	73,296	2,580	2.10%	8,921	4,240	(181,308)	(5,361)	Jung Chan's Investment accounted for using the equity
Jung Chan Investments Co., Ltd.	Merztek Incorporation	Hsin-Chu, Taiwan	Wholesaling of western Medicine and telecon	100,000	100,000	10,000	100.00%	94,924	10,000	(3,933)	(3,933)	Subsidiary of Jung Chan Investments Co., Ltd.
Jung Chan Investments Co., Ltd.	eGalax_eMPIA Technology Inc	Taipei City	Product designing, wholesale and retail of electronic	9,475	9,475	202	0.33%	10,202	202	372,489	1,228	Jung Chan's Investment accounted for using the equity
OHGA Smarthings Co., Ltd.	YUASA J?WAN Co., Ltd.	New Taipei, Taiwan	Wholesale and retail of Batteries	1,000	1,000	100	31.50%	993	100	223	84	OHGA Smarthings's Investment accounted for using the equity

Note : The amount was eliminated in the consolidated financial statements except using the equity method.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee (Note 2)	Percentage of ownership	Highest percentage of ownership	Investment income (losses) (Note 2, 3)	Book value (Note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Holystone International Trading (Shanghai) Co., Ltd.	Sale of electronic products	110,997	(2)	99,925	-	-	99,925	49,625	100.00%	100.00%	49,625	294,419	-
Infotech International Trading (Shanghai) Ltd.	Development and sale of electronic products	27,680	(2)	27,680	-	-	27,680 (note 4)	-	100.00%	-	-	-	-
Infotech (China) Co., Ltd.	Sale of electronic products	58,128	(2)	58,128	-	-	58,128	9,722	100.00%	100.00%	9,722	181,576	-

Note 1: Investments are made through one of three ways:

- (1) Direct investment from Mainland China
- (2) Indirect investment from third-party country
- (3) Others

Note 2: The recognition of gain and loss on investment based on the financial report which was audited by Group's auditor.

Note 3: The amount was eliminated in the consolidated financial statements.

Note 4: Infotech International trading (Shanghai) Ltd. had been liquidated by 2015, and application of cancellation was completed by July 29 in 2015.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
185,733	196,805	5,918,337

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders: None of shareholders hold some than 5% of shares.

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HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES
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(14) Segment information:

(a) General information

The Group has two reportable segments: electronic department and the other department. Electronic department is engaged in the development, design, manufacturing and sales of electronics-related products. And the other department does professional investment and the wholesaling of western medicine and medical equipment.

In 2021 and 2020, the above segments did not meet the quantitative thresholds.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gains or losses, because taxation, extraordinary activity, and foreign exchange gains or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in Note 4 “significant accounting policies” .

The Group treated intersegment sales and transfers as the third-party transactions. They are measured at market price.

The Group’ s operating segment information and reconciliation are as follows:

	2021			
	Electronic department	Other department	Reconciliation and elimination	Total
Revenue :				
Revenue from external customers	\$ 15,314,035	1,288,011	-	16,602,046
Interest revenue	12,716	856	-	13,572
Total revenue	<u>\$ 15,326,751</u>	<u>1,288,867</u>	<u>-</u>	<u>16,615,618</u>
Reportable segment profit or loss	<u>\$ 2,197,091</u>	<u>(128,205)</u>	<u>-</u>	<u>2,068,886</u>
Reportable segment assets	<u>\$ 14,911,562</u>	<u>1,358,967</u>	<u>-</u>	<u>16,270,529</u>
Reportable segment liabilities	<u>\$ 5,944,249</u>	<u>241,558</u>	<u>-</u>	<u>6,185,807</u>

HOLY STONE ENTERPRISE CO., LTD. AND SUBSIDIARIES

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	2020			
	Electronic department	Other department	Reconciliation and elimination	Total
Revenue :				
Revenue from external customers	\$ 13,701,286	1,129,142	-	14,830,428
Interest revenue	14,677	2,146	-	16,823
Total revenue	<u>\$ 13,715,963</u>	<u>1,131,288</u>	<u>-</u>	<u>14,847,251</u>
Reportable segment profit or loss	<u>\$ 1,671,802</u>	<u>(80,211)</u>	<u>-</u>	<u>1,591,591</u>
Reportable segment assets	<u>\$ 13,213,528</u>	<u>1,416,392</u>	<u>-</u>	<u>14,629,920</u>
Reportable segment liabilities	<u>\$ 4,910,003</u>	<u>176,111</u>	<u>-</u>	<u>5,086,114</u>

(c) Product and service information

Product and services	2021	2020
Passive components	\$ 6,173,772	5,473,035
Active components	4,359,847	3,684,329
System module	3,676,718	3,097,285
Others	<u>2,391,709</u>	<u>2,575,779</u>
Total	<u>\$ 16,602,046</u>	<u>14,830,428</u>

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Geographical information	2021	2020
Revenue from external customers:		
China	\$ 12,009,860	10,563,122
Taiwan	2,815,894	2,665,223
United States	225,417	146,272
Others	<u>1,550,875</u>	<u>1,455,811</u>
Total	<u>\$ 16,602,046</u>	<u>14,830,428</u>
Non-current assets:		
Taiwan	\$ 4,409,435	3,492,254
China	100,692	103,375
Others	<u>153,603</u>	<u>113,217</u>
Total	<u>\$ 4,663,730</u>	<u>3,708,846</u>

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Non-current assets include property, plant and equipment, right-of-use assets, prepayments for business facilities, and other non-current assets, not including financial instruments and deferred tax assets.

(e) Major customers

In 2021 and 2020, the customers of the Group did not meet the disclosure standards.